

CIRCULAR DATED 18 SEPTEMBER 2015

THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF LIZHONG WHEEL GROUP LTD. AND THE ADVICE OF PROVENANCE CAPITAL PTE. LTD.. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by Lizhong Wheel Group Ltd. (the “**Company**”). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



LIZHONG WHEEL GROUP LTD.

(Company Registration No.: 200407196C)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL CASH OFFER

by

DBS BANK LTD.

(Company Registration No.: 196800306E)
(Incorporated in the Republic of Singapore)

for and on behalf of

BERKLEY INTERNATIONAL LIMITED

(Company Registration No.: 1880534)
(Incorporated in the British Virgin Islands)

to acquire all the issued and paid-up ordinary shares in the capital of Lizhong Wheel Group Ltd.

Independent Financial Adviser to the Independent Directors of the Company



PROVENANCECAPITAL

PROVENANCE CAPITAL PTE. LTD.

(Company Registration No.: 200309056E)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 2 OCTOBER 2015 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

CONTENTS

SECTION	PAGE
DEFINITION	3
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS	8
INDICATIVE TIMETABLE	9
LETTER TO SHAREHOLDERS	10
1. INTRODUCTION	10
2. THE OFFER	11
3. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES	13
4. IRREVOCABLE UNDERTAKINGS	14
5. RATIONALE FOR THE OFFER	16
6. DIRECTORS' INTERESTS	16
7. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY	17
8. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER	18
9. OVERSEAS SHAREHOLDERS	20
10. INFORMATION PERTAINING TO CPFIS INVESTORS	22
11. ACTION TO BE TAKEN BY SHAREHOLDERS	22
12. DIRECTORS' RESPONSIBILITY STATEMENT	22
APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER	23
APPENDIX II – ADDITIONAL GENERAL INFORMATION	53
APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015	64
APPENDIX IV – EXTRACTS OF ARTICLES	78
APPENDIX V – STATEMENT OF PROSPECTS	91
APPENDIX VI – LETTER FROM DELOITTE & TOUCHE LLP IN RELATION TO THE STATEMENT OF PROSPECTS	93
APPENDIX VII – LETTER FROM THE IFA IN RELATION TO THE STATEMENT OF PROSPECTS	95
APPENDIX VIII – EXTRACT OF VALUATION REPORTS	97

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

“1Q 2015 Results Announcement”	:	Unaudited consolidated financial statements for the first quarter ended 31 March 2015
“2Q 2015 Results Announcement”	:	Unaudited consolidated financial statements for the second quarter and half year ended 30 June 2015.
“Acceptance Condition”	:	Shall have the meaning ascribed to it in section 2.4 of this Circular
“Act”	:	Companies Act, Chapter 50 of Singapore
“Articles”	:	The articles of association of the Company
“Board”	:	The Board of Directors of the Company
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 18 September 2015 from the Company containing the advice of the IFA to the Independent Directors and the recommendations of the Independent Directors in relation to the Offer
“Closing Date”	:	5.30 p.m. (Singapore time) on 2 October 2015 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances of the Offer
“Code”	:	The Singapore Code on Take-overs and Mergers
“Company”	:	Lizhong Wheel Group Ltd.
“Company Securities”	:	(a) Shares; or (b) convertible securities, warrants, options or derivatives in respect of the Shares
“Concert Parties”	:	Persons acting or deemed to be acting in concert with the Offeror in connection with the Offer
“CPF”	:	The Central Provident Fund
“CPF Agent Banks”	:	The banks appointed by CPF to be its agent banks, being DBS Bank, Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited
“CPFIS”	:	CPF Investment Scheme
“CPFIS Investors”	:	Investors who have purchased Shares using their CPF savings under the CPFIS
“Deloitte”	:	Deloitte & Touche LLP, the auditors of the Company
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“Encumbrances”	:	The meaning ascribed to it in Section 2.3(b)

DEFINITIONS

“Excluded Directors”	:	Shall have the meaning ascribed to it in section 8.3 of this Circular
“Excluded Documents”	:	(a) The IFA Letter as set out in Appendix I to this Circular; (b) the letter from Deloitte in relation to the Statement of Prospects as set out in Appendix VI to this Circular; (c) the letter from the IFA in relation to the Statement of Prospects as set out in Appendix VII to this Circular; and (d) the extracts of the valuation reports as set out in Appendix VIII to this Circular
“FAA”	:	Form of Acceptance and Authorisation, which is applicable to Shareholders whose Offer Shares are deposited with CDP and which forms part of the Offer Document
“FAT”	:	Form of Acceptance and Transfer, which is applicable to Shareholders whose Offer Shares are registered in their own names in the Register and which forms part of the Offer Document
“FY”	:	Financial year ended or ending 31 December
“Group”	:	The Company and its subsidiaries
“DBS Bank”	:	DBS Bank Ltd.
“IFA”	:	Provenance Capital Pte. Ltd., the independent financial adviser to the Independent Directors
“IFA Letter”	:	The letter dated 18 September 2015 by the IFA to the Independent Directors containing, <i>inter alia</i> , the advice of the IFA to the Independent Directors in respect of the Offer, as set out in Appendix I of this Circular
“Independent Directors”	:	The directors of the Company who are independent for the purpose of making recommendations to Shareholders in respect of the Offer, namely Messrs See Yen Tarn, Chua Hung Meng and Zhao Qinghua
“Interested Person”	:	As defined in the note on Rule 23.12 of the Code, an interested person, in relation to a company, is: (a) a director, chief executive officer, or substantial shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;

DEFINITIONS

	(e)	any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
	(f)	any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
“Latest Practicable Date”	:	11 September 2015, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Offer”	:	The voluntary conditional cash offer made by DBS Bank, for and on behalf of the Offeror, to acquire the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and FAT, as such Offer may be amended, extended or revised from time to time by or on behalf of the Offeror
“Offer Announcement”	:	The announcement of the Offer released by DBS Bank, for and on behalf of the Offeror, on the Offer Announcement Date
“Offer Announcement Date”	:	17 August 2015, being the date of the Offer Announcement
“Offer Document”	:	The document dated 4 September 2015 issued by DBS Bank, for and on behalf of the Offeror, in respect of the Offer, and any other document(s) which may be issued by DBS Bank, for and on behalf of the Offeror to amend, revise, supplement or update the aforesaid document(s) from time to time
“Offer Document Despatch Announcement”	:	The announcement dated 4 September 2015 by DBS Bank, for and on behalf of the Offeror, in relation to the despatch of the Offer Document
“Offer Price”	:	S\$0.50 in cash for each Offer Share
“Offer Shares”	:	All the Shares to which the Offer relates as more particularly defined in section 2.2 of this Circular
“Offeror”	:	Berkley International Limited
“Offeror Securities”	:	(a) Offeror Shares; (b) securities which carry substantially the same rights as any Offeror Shares; and (c) convertible securities, warrants, options and derivatives in respect of any Offeror Shares or such securities in (b)
“Offeror Shares”	:	Ordinary shares in the capital of the Offeror
“Properties”	:	Shall have the meaning ascribed to it in paragraph 8.7 of Appendix II of this Circular
“Overseas Shareholders”	:	Shareholders whose addresses are outside Singapore, as shown on the Register or, as the case may be, in the records of CDP

DEFINITIONS

“Register”	: The register of holders of the Shares, as maintained by the Share Registrar
“RMB”	: Renminbi, being the lawful currency of the People’s Republic of China
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: Holders of Shares (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST)
“Shares”	: Issued and paid-up ordinary shares in the capital of the Company
“Share Registrar”	: Boardroom Corporate & Advisory Services Pte. Ltd.
“SIC”	: Securities Industry Council
“Statement of Prospects”	: Has the meaning ascribed to it in Appendix V of this Circular
“Valuers”	: Baoding Dayan Assets Evaluation Co., Ltd. and Siam Appraisal and Service Co., Ltd.
“S\$” and “cents”	: Singapore dollars and cents respectively, being the lawful currency of Singapore
“%” or “per cent.”	: Per centum or percentage

The expression **“acting in concert”** shall have the meaning ascribed to it in the Code.

The expressions **“subsidiary”** and **“related corporations”** shall have the meanings ascribed to them respectively in the Act.

The terms **“Depositor”** and **“Depository Register”** shall have the meanings ascribed to them respectively in the Act.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

References to **“you”**, **“your”** and **“yours”** in this Circular are to Shareholders.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Code, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the Code, the Listing Manual or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date respectively unless otherwise stated.

DEFINITIONS

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Articles are set out in this Circular within quotes and in italics, and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter and the Articles respectively.

Any reference in this Circular to the total number of Shares is a reference to a total of 235,025,550 Shares as at the Latest Practicable Date.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “shall”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward looking statements, and neither the Company nor the IFA undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Date of despatch of Offer Document	:	4 September 2015
Date of despatch of Circular	:	18 September 2015
Closing Date and time	:	5.30 p.m. (Singapore time) on 2 October 2015 or such later dates as may be announced from time to time by or on behalf of the Offeror, such date being the last day for lodgement of acceptances of the Offer
Date of settlement of consideration for valid acceptances of the Offer ⁽¹⁾	:	<p>In respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within 10 days of that date; or</p> <p>In respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, but before the Offer closes, within 10 days of the date of such receipt</p>

Note:

(1) Please refer to Appendix IV of the Offer Document for further details.

LETTER TO SHAREHOLDERS

LIZHONG WHEEL GROUP LTD.

(Company Registration No.: 200407196C)
(Incorporated in the Republic of Singapore)

LETTERS TO SHAREHOLDERS FROM THE BOARD

Directors

Mr Zang Ligen (Executive Chairman)
Mr Zang Lizhong (Executive Director)
Mr Zang Liguu (Executive Director)
Mr See Yen Tarn (Lead Independent Director)
Mr Chua Hung Meng (Independent Director)
Mr Zhao Qinghua (Independent Director)

Registered Address

80 Raffles Place
#32-01 UOB Plaza 1
Singapore 048624

18 September 2015

To: The Shareholders of Lizhong Wheel Group Ltd.

Dear Sir/Madam

VOLUNTARY CONDITIONAL CASH OFFER BY DBS BANK LTD. FOR AND ON BEHALF OF BERKLEY INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF THE COMPANY

1. INTRODUCTION

1.1 Offer Announcement

On the Offer Announcement Date, DBS Bank, for and on behalf of the Offeror, announced, *inter alia*, that the Offeror intends to make a voluntary conditional cash offer for all the issued Shares including all the Shares owned, controlled or agreed to be acquired by the parties acting or deemed to be acting in concert with the Offeror but excluding those already owned, controlled or agreed to be acquired by the Offeror as at the Offer Announcement Date.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2 Offer Document

Shareholders should have by now received a copy of the Offer Document, as announced by DBS Bank to have been despatched on 4 September 2015, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in section 2 of the Offer Document and Appendix IV to the Offer Document.

Shareholders are urged to read the terms and conditions of the Offer set out in the Offer Document carefully.

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

1.3 Purpose of the Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in relation to the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors before deciding whether or not to accept the Offer.

LETTER TO SHAREHOLDERS

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, accountant, solicitor, tax advisor or other professional adviser immediately.

1.4 Independent Financial Adviser

The Independent Directors have appointed Provenance Capital Pte. Ltd. as their independent financial adviser in respect of the Offer.

2. THE OFFER

Based on information set out in the Offer Document, DBS Bank has, for and on behalf of the Offeror, made the Offer in accordance with Rule 15 of the Code, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT. The principal terms and conditions of the Offer are set out below.

2.1 Offer Price

As stated in section 2.1 of the Offer Document, the Offeror has offered to acquire the Offer Shares on the following basis:

For each Offer Share: S\$0.50 in cash.

2.2 Offer Shares

Section 2.2 of the Offer Document states that the Offer is extended, on the same terms and conditions, to all the Shares, other than those Shares held, directly or indirectly, by the Offeror as at the date of the Offer (the “**Offer Shares**”).

2.3 No Encumbrances

According to section 2.1 of the Offer Document, the Offer Shares will be acquired:

- (a) fully paid;
- (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever (“**Encumbrances**”); and
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

If any dividend, other distribution or return of capital is announced, declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by an amount equivalent to such dividend, distribution or return of capital paid or made by the Company to such Shareholders who accept or have accepted the Offer.

2.4 Offer Condition

According to section 2.3 of the Offer Document, the Offer is conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Shares, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, will result in the Offeror holding not less than 90% of the Offer Shares (excluding any Shares held in treasury) as at the Closing Date (“**Acceptance Condition**”).

The Offeror reserves the right to reduce the Acceptance Condition to a lower minimum acceptance level, provided that such revision be made after obtaining the consent of the SIC. In the event that the Acceptance Condition is revised, the revised Offer shall remain open for another 14 days following such revision and Shareholders who have accepted the Offer will be permitted to withdraw their acceptances within eight (8) days of notification of such revision.

Save for the Acceptance Condition, the Offer will be unconditional in all other respects.

LETTER TO SHAREHOLDERS

2.5 Warranty

According to section 2.4 of the Offer Document, acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

2.6 Duration of the Offer

As set out in section 2.5 to the Offer Document:

(a) Closing Date

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date of posting of this Offer Document.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 2 October 2015 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

(b) Offer to Remain Open for 14 Days after being declared unconditional as to Acceptances

Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared to be unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed, in order to give those Shareholders who have not accepted the Offer the opportunity to do so.

This requirement does not apply if, before the Offer becomes or is declared to be unconditional as to acceptances, the Offeror has given notice in writing to the Shareholders at least 14 days before the specified Closing Date that the Offer will not be open for acceptance beyond that date, provided that such notice may not be given, or if already given, shall not be capable of being enforced in a competitive situation. If a declaration that the Offer is unconditional as to acceptances is confirmed in accordance with paragraph 3(c) of Appendix IV to the Offer Document, such period of not less than 14 days during which the Offer shall remain open for acceptance will run from the date of such confirmation, or the date on which the Offer would otherwise have expired, whichever is later.

(c) Final Day Rule

Pursuant to Rule 22.9 of the Code, the Offer (whether revised or not) will not be capable of becoming or being declared to be unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the date of posting of this Offer Document or of being kept open after the expiry of such period, unless it has previously become or been declared to be unconditional as to acceptances, except with the permission of the SIC. The SIC will consider granting such permission in circumstances including but not limited to where a competing offer has been announced.

(d) Revision

Pursuant to Rule 20.1 of the Code, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who had previously accepted the Offer.

LETTER TO SHAREHOLDERS

(e) Subsequent Closing Date

If there is an extension of the Offer, pursuant to Rule 22.4 of the Code, any announcement of an extension of the Offer will state the next closing date or if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, those Shareholders who have not accepted the Offer will be notified in writing at least 14 days before the Offer is closed.

(f) No Obligation to Extend Offer

The Offeror is not obliged to extend the Offer if the Acceptance Condition is not fulfilled by the Closing Date(s).

2.7 Details of the Offer

The Offer Document is made in accordance with the principal terms and conditions as set out in the Offer Document. Appendix IV to the Offer Document sets out further details on (a) the settlement of the consideration for the Offer, (b) the requirements relating to the announcement of the level of acceptances of the Offer, and (c) the right of withdrawal of acceptances of the Offer.

2.8 Procedures for Acceptance

Section 2.7 of the Offer Document states that Appendix V to the Offer Document sets out the procedures for acceptance of the Offer.

3. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES

The information on the Offeror and parties acting in concert with it is set out in section 4 of the Offer Document and reproduced in italics below:

“4.1 The Offeror is an investment holding company incorporated in the British Virgin Islands. As at the Latest Practicable Date, the Offeror has an issued and paid-up capital of US\$50,000, consisting of 50,000 ordinary shares, all of which are held by TDAB, a company established in the PRC. The Director of the Offeror is Mr. Zang Yongxing.

Appendix I to this Offer Document sets out certain additional information on the Offeror.

4.2 TDAB in turn is wholly owned by the following 10 individuals³ (collectively, the “TDAB Shareholders”) in the following shareholding proportion:

<i>TDAB Shareholders</i>	<i>Shareholding Percentage (%)</i>
<i>Mr. Zang Ligu</i>	<i>15.3%</i>
<i>Mr. Zang Lizhong</i>	<i>3.3%</i>
<i>Mr. Zang Ligen</i>	<i>3.2%</i>
<i>Mr. Zang Yongxing</i>	<i>15.2%</i>
<i>Ms. Zang Na</i>	<i>15.0%</i>
<i>Mr. Zang Yongjian</i>	<i>15.0%</i>
<i>Ms. Zang Yakun</i>	<i>15.0%</i>
<i>Mr. Zang Yongyi</i>	<i>6.0%</i>
<i>Mr. Zang Yonghe</i>	<i>6.0%</i>
<i>Ms. Zang Jieaixin</i>	<i>6.0%</i>
<i>Total</i>	<i>100%</i>

3. *Mr. Zang Ligen, Mr. Zang Lizhong and Mr. Zang Ligu are brothers. Mr. Zang Yongxing is the son and Ms. Zang Na is the daughter of Mr. Zang Ligen. Mr. Zang Yongjian is the son and Ms. Zang Yakun is the daughter of Mr. Zang Lizhong. Mr. Zang Yongyi and Mr. Zang Yonghe are the sons and Ms. Zang Jieaixin is the daughter of Mr. Zang Ligu.*

LETTER TO SHAREHOLDERS

- 4.3 The board of directors of TDAB comprises Mr. Zang Ligu, Mr. Zang Lizhong, Mr. Zang Ligen, Mr. Zang Yongxing, Mr. Zang Yongjian and Mr. Zang Yongyi. Mr. Zang Ligen is also the Executive Chairman of the Company, while Mr. Zang Ligu and Mr. Zang Lizhong are also the Executive Directors of the Company.
- 4.4 The TDAB Shareholders (excluding Mr. Zang Yonghe and Ms. Zang Jieixin) (the “**LZIL Shareholders**”) are also shareholders of LZIL. The directors of LZIL are Mr. Zang Ligen and Mr. Zang Yongxing. The shareholding proportion of the LZIL Shareholders in LZIL is as follows:”

LZIL Shareholders	Shareholding Percentage (%)
Mr. Zang Ligu	23.3%
Mr. Zang Lizhong	11.3%
Mr. Zang Ligen	11.3%
Mr. Zang Yongxing	11.1%
Ms. Zang Na	11.0%
Mr. Zang Yongjian	11.0%
Ms. Zang Yakun	11.0%
Mr. Zang Yongyi	10.0%
Total	100%

4. IRREVOCABLE UNDERTAKINGS

The information on the irrevocable undertakings from Shareholders are set out in sections 3.1 and 3.2 of the Offer Document and reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

“3.1 Irrevocable Undertaking from Li Zhong Investment Ltd

LZIL, the major Shareholder of the Company, holds 150,956,250 Shares as at the Latest Practicable Date, representing approximately 64.23% of the total number of the issued Shares. LZIL has executed an irrevocable undertaking (the “**LZIL Irrevocable Undertaking**”) in favour of the Offeror, pursuant to which LZIL has undertaken and agreed, inter alia, to (a) accept, or procure the acceptance of, the Offer in respect of all the Shares held by it, and (b) subscribe for shares in the Offeror (the “**Offeror Shares**”) and for this purpose, pay for the subscription amount in respect of such Offeror Shares (the “**Set-Off Amount**”) by setting off in full the Set-Off Amount against the proceeds that would otherwise be payable by the Offeror as consideration pursuant to acceptances of the Offer by LZIL (such arrangements between LZIL and the Offeror, the “**Arrangements**”).

The SIC has confirmed that the Arrangements do not constitute special deals for the purpose of Rule 10 of the Code.

3.2 Irrevocable Undertakings from other Shareholders

Each of the following Shareholders (collectively, the “**Other Undertaking Shareholders**”) has also given an irrevocable undertaking (each, an “**Other Undertaking**”, and collectively, the “**Other Undertakings**”) in favour of the Offeror to, inter alia, accept, or procure the acceptance of, the Offer in respect of all (a) the Shares held by him or her as at the date of the Other Undertaking, and (b) any other Shares that he or she may acquire, or which may be issued or allotted to him or her, on or after the date of the Other Undertaking, in return for the Offer Price. As at the Latest Practicable Date, the Shares held, directly or indirectly, by each of the Other Undertaking Shareholders are as follows:

LETTER TO SHAREHOLDERS

S/N	Other Undertaking Shareholders	Number of Shares	Percentage of total issued Shares (%)
1.	Mr. Zang Ligen	3,277,405	1.39
2.	Ms. Zang Xiu Fen ¹	2,683,250	1.14
3.	Mr. Zhang Jianliang	4,140,700	1.76
4.	Mr. Li Linhe	1,090,620	0.46
5.	Mr. Du Yong Li	910,650	0.39
6.	Mr. Yang Xiao Bo	470,975	0.20
7.	Mr. Zhang Jinli	331,700	0.14
8.	Mr. Cao Weize	37,200	0.02
9.	Mr. Ji Guofu	37,200	0.02
10.	Mr. Liu Baoxing	37,200	0.02
11.	Mr. Song Zhaoyi	37,200	0.02
12.	Ms. Shi Hui	18,600	0.01
13.	Mr. Tian Baoji	18,600	0.01
14.	Mr. Wang Chao	18,600	0.01
15.	Mr. Wang Xianbin	18,600	0.01
16.	Mr. Yang Guoyong	18,600	0.01
17.	Mr. Zhao Qishan	18,600	0.01
18.	Mr. Duan Wentan	13,200	0.01
19.	Mr. Qin Zhijiang	12,600	0.01
20.	Mr. Sun Jiewu	12,600	0.01
21.	Mr. Chen Jiuxin	12,600	0.01
22.	Mr. Liu Changjie	12,600	0.01
23.	Ms. Zhao Peihong	9,300	n.m. ²
24.	Mr. Huang Chunming	6,300	n.m. ²
Total		13,244,900	5.64

1. Ms. Zang Xiu Fen is the sister of Mr. Zang Ligen, Mr. Zang Lizhong and Mr. Zang Ligu. Please refer to paragraph 4 of this Offer Document for more information relating to Mr. Zang Ligen, Mr. Zang Lizhong and Mr. Zang Ligu.

2. Not meaningful

3.3 Each of the LZIL Irrevocable Undertaking and the Other Undertakings shall lapse in the event that, inter alia, the Offer is withdrawn or lapses, or fails to become or be declared to be unconditional in all respects for whatever reason, other than as a result of a breach by LZIL or any of the Other Undertaking Shareholders (as the case may be) of any of its or his or her obligations under the LZIL Irrevocable Undertaking or his or her Other Undertaking (as the case may be).

3.4 As of the Latest Practicable Date, the Offeror has received irrevocable undertakings from LZIL and the Other Undertaking Shareholders to accept the Offer in respect of an aggregate 164,201,150 Shares, representing approximately 69.87% of the total issued Shares.”

LETTER TO SHAREHOLDERS

5. RATIONALE FOR THE OFFER

The information on the Offeror's rationale for the Offer set out in italics below has been extracted from section 6 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"6. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY"

6.1 Low Trading Liquidity of Shares

The trading volume of the Shares has been low, with an average daily trading volume⁴ of approximately 23,460 Shares, 30,621 Shares, 25,061 Shares and 15,602 Shares during the one (1)-month period, three (3)-month period, six (6)-month period and 12-month period up to and including the Last Trading Day. Each of these represents less than 0.014% of the total number of issued Shares for any of the aforementioned relevant periods.

The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in Shares with an opportunity to liquidate and realise their investment in the Shares at a premium to the prevailing market prices which would otherwise not be available given the low trading liquidity.

⁴ Calculated by using the total volume of Shares traded divided by the number of Market Days with respect to the one (1)-month period, three (3)-month period, six (6)-month period and 12-month period up to and including the Last Trading Day.

6.2 Offer Price at a Significant Premium to the Last Transacted Share Price

The Offer Price represents a premium of approximately 96.08% over the last transacted price per Share of S\$0.255 on 6 August 2015, being the last Market Day on which the Shares were transacted prior to the Offer Announcement Date.

When compared to the benchmark prices of the Shares up to and including the Last Trading Day, the Offer Price also represents premia of approximately 90.84%, 74.83%, 87.27% and 92.31% over the VWAP per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods, respectively.

The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in Shares at significant premia over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

6.3 Greater Management Flexibility

The Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.

6.4 Compliance Costs of Maintaining Listing

In maintaining its listed status, the Company incurs compliance and associated costs. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of a listed status and focus its resources on its business operations."

6. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Company Securities as at the Latest Practicable Date are set out in **Appendix II** to this Circular.

LETTER TO SHAREHOLDERS

7. THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

7.1 Offeror's Intentions in relation to the Company

The information on the Offeror's intentions in relation to the Company set out in italics below has been extracted from sections 6.5 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"6.5 Offeror's Intention for the Company

Subsequent to the Closing Date and depending on the outcome of the Offer, the Offeror intends to undertake a review of the Company's businesses and operations as well as evaluate strategic options. Save as disclosed above, the Offeror has no current intention to (a) make any major changes to the existing businesses of the Company; (b) to redeploy the fixed assets of the Company; or (c) discontinue the employment of the existing employees of the Group, other than in the ordinary course of business. Nonetheless, the Offeror retains the flexibility to, at any time, consider options or opportunities which may present themselves, or may be required, and which it regards to be in the best interests of the Offeror and/or the Group."

7.2 Listing Status

The full text of the Offeror's intentions in relation to the listing status of the Company has been extracted from section 8 of the Offer Document and reproduced in italics below:

"8.1 Listing Status

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with it to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the Closing Date.

Pursuant to Rule 724(1) of the Listing Manual, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted.

8.2 Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of issued Shares (excluding any Shares held in treasury), the Shareholders who have not accepted the Offer will have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

LETTER TO SHAREHOLDERS

8.3 Offeror's Intentions

The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of issued Shares (excluding any Shares held in treasury) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual."

8. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

8.1 Appointment of Independent Financial Adviser

Provenance Capital Pte. Ltd. has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should read and consider carefully the advice of the IFA to the Independent Directors and the recommendations of the Independent Directors in their entirety before deciding whether or not to accept the Offer. The advice of the IFA to the Independent Directors is set out in the IFA Letter which is set out in **Appendix I** of this Circular.

8.2 Advice of the IFA to the Independent Directors on the Offer

The following is an extract from section 9 of the IFA Letter and should be read in conjunction with, and interpreted, in the full context of the IFA Letter. All terms and expression used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

"9. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment of the Offer:

- (a) Market quotation and trading activity of the Shares;*
- (b) Financial performance of the Group;*
- (c) NTA and revalued NTA of the Group;*
- (d) Comparison with recently completed privatisation take-over offers of companies listed on the SGX-Mainboard and SGX-Catalist;*
- (e) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;*
- (f) Dividend track record of the Company; and*
- (g) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.*

Based on our analysis as summarised above and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that:

- (i) the financial terms of the Offer, on balance, are not fair, in particular, as the Offer Price is at a deep discount of 41.9% to the revalued NTA per Share of the Group as at 30 June 2015;**

LETTER TO SHAREHOLDERS

- (II) *Shareholders should note that as at the Latest Practicable Date, the Offeror and parties acting in concert with it have already secured holdings of approximately 87.87% of the total number of issued Shares. The Offeror is thus very close to achieving its 90% minimum acceptance level as the Acceptance Condition for the Offer. In the event that the Offer becomes unconditional in all respects, given the Offeror's stated intentions to make the Company its wholly-owned subsidiary and to delist from the SGX-ST, the Offeror is likely to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act to acquire all the remaining Shares from Shareholders who have not accepted the Offer by the close of the Offer. Such compulsory acquisition will be made at a price which is the same as the Offer Price; and*
- (III) *Given the above circumstance and in view of the fact that the Offer Price is at a significant premium above the historical traded price of the Shares over the last one year prior to the Offer Announcement Date, we are of the view that the Offer Price is not fair but is reasonable.*

*Accordingly, we advise the Independent Directors to recommend Shareholders to **ACCEPT** the Offer and for Shareholders who wish to realise their Shares, to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting related expenses)."*

Shareholders should read and consider carefully the full text of the IFA Letter.

8.3 Exemption relating to Directors' Recommendation

Mr See Yen Tarn, Mr Chua Hung Meng and Mr Zhao Qing Hua are considered independent for the purposes of the Offer and are required to make a recommendation to Shareholders in respect of the Offer. As each of Mr. Zang Ligen, Mr. Zang Lizhong and Mr. Zang Liguu (the "**Excluded Directors**") is acting in concert with the Offeror in connection with the Offer, he will face conflicts of interest in relation to the Offer that would render it inappropriate for him to join the Independent Directors in making a recommendation to Shareholders in connection with the Offer. The SIC had ruled on 15 July 2015 that the Excluded Directors are exempted from the requirement to make a recommendation on the Offer.

All the Directors (including, for the avoidance of doubt, the Excluded Directors) are jointly and severally responsible for the accuracy of facts stated and completeness of the information given by the Company to Shareholders on the Offer, including information contained in announcements and documents issued by or on behalf of the Company in connection with the Offer.

8.4 Recommendations of the Independent Directors

The Independent Directors, having considered carefully the terms of the Offer and the advice of the IFA as set out in the IFA Letter, **CONCUR** with the advice given by the IFA in respect of the Offer. The advice of the IFA is set out in section 8.2 above.

Accordingly, the Independent Directors recommend the Shareholders to **ACCEPT** the Offer if they are unable to obtain a price higher than the Offer Price (net of related expenses) in the open market. Shareholders who are prepared to take a long-term view of their investment in the Shares and/or who are positive about the prospects of the Group may wish to retain all or part of their Shares.

Shareholders who wish to retain their Shares should note that the future performance of the Shares is dependent on, *inter alia*, the performance and future prospects of the Group, general sentiment in the equity market and prevailing economic conditions in the markets that the Group operates in.

Shareholders are advised to read the IFA Letter set out in Appendix I of this Circular carefully and in its entirety before deciding whether or not to accept the Offer.

LETTER TO SHAREHOLDERS

In making their recommendation, the IFA and the Independent Directors have not had regard to the general or specific investment objectives, financial situation, tax status or position, risk profiles or unique needs and constraints and circumstances of any individual Shareholder or group of Shareholders. As each Shareholder or group of Shareholders would have different investment objectives and profiles, the Independent Directors, as advised by the IFA recommend that any individual Shareholder or group of Shareholders who may require specific advice in the context of his investment portfolio, including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Shareholders are advised that the opinion and advice of the IFA and the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

9. OVERSEAS SHAREHOLDERS

9.1 Availability of the Offer to Overseas Shareholders

Overseas Shareholders should refer to section 9 of the Offer Document, which is reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“9. OVERSEAS SHAREHOLDERS

*The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the register of members of the Company or, as the case may be, in the records of CDP (each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document, the FAAs and the FATs have not been reviewed by any regulatory authority in any overseas jurisdiction. **Where there are potential restrictions on sending this Offer Document, the FAAs and/or the FATs to any overseas jurisdictions, the Offeror, DBS Bank and CDP each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom this Offer Document, the FAAs and/or the FATs have not been, or may not be, sent.***

Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a “Restricted Jurisdiction”) and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

Overseas Shareholders may, nonetheless, obtain copies of this Offer Document, the FAAs and/or the FATs and any related documents, during normal business hours and up to the Closing Date, from the Offeror through its receiving agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623; or The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01 19/20, The Metropolis, Singapore 138588.

LETTER TO SHAREHOLDERS

Alternatively, an Overseas Shareholder may write to the Offeror through Boardroom Corporate & Advisory Services Pte. Ltd. at the address listed above or The Central Depository (Pte) Limited at Robinson Road Post Office P.O. Box 1984 Singapore 903934, to request for this Offer Document, the FAAs and/or the FATs and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk, up to three (3) Market Days prior to the Closing Date.

*It is the responsibility of any Overseas Shareholder who wishes to (a) request for this Offer Document, the FAAs and/or the FATs and/or any related documents, or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including DBS Bank) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including DBS Bank) may be required to pay. In (i) requesting for this Offer Document, the FAAs and/or the FATs and any related documents and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and DBS Bank that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. **Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.***

The Offeror and DBS Bank each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Overseas Shareholders by announcement to the SGX-ST or notice and if necessary, by paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement, notice or advertisement"

This Circular and any related documents may not be sent to certain Overseas Shareholders due to the potential restrictions on sending such documents to overseas jurisdictions. Any affected Overseas Shareholder may, nonetheless, obtain copies of this Circular during normal business hours and up to the Closing Date, from the office of the Share Registrar at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623. Alternatively, any Overseas Shareholder may write to the Share Registrar at the aforementioned address to request for this Circular and any related documents to be sent to an address in Singapore by ordinary post at his own risk (the last date for despatch in respect of such request shall be a date falling three (3) Market Days prior to the Closing Date).

In requesting for this Circular and any related documents, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

9.2 Copies of Circular

Potential restrictions in sending this Circular and any related documents to overseas jurisdictions could result in such documents not being sent to any Overseas Shareholder. Copies of this Circular may however be obtained during normal business hours up to the Closing Date from the office of the Share Registrar at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623. Alternatively, any Overseas Shareholder may write to the Share Registrar at the aforementioned address to request for this Circular and any related documents to be sent to an address in Singapore by ordinary post at his own risk (the last date for despatch in respect of such a request shall be a date falling three (3) Market Days prior to the Closing Date).

LETTER TO SHAREHOLDERS

10. INFORMATION PERTAINING TO CPFIS INVESTORS

As stated in section 12 of the Offer Document, CPFIS Investors will receive further information on how to accept the Offer from the CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice. CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their CPF investment accounts.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore time) on 2 October 2015 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, and should take note of the procedures for acceptance of the Offer as set out in Appendix V of the Offer Document.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document and the FAA and/or the FAT which have been sent to them.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Circular (other than those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, the Offer and the Excluded Documents) are fair and accurate and that there are no other material facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

The recommendation of the Independent Directors to Shareholders set out in section 8.4 of this Circular is the sole responsibility of the Independent Directors. In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Company are, to the best of their knowledge and belief, fair and accurate in all material respects.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement, the Offer Document, the Offer Document Despatch Announcement and the Excluded Documents), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced in this Circular.

The Directors jointly and severally accept full responsibility accordingly.

Yours faithfully

For and on behalf of the Board of Directors of
LIZHONG WHEEL GROUP LTD.

Zang Ligen
Executive Chairman

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)

(Incorporated in the Republic of Singapore)

96 Robinson Road #13-01

SIF Building Singapore 068899

18 September 2015

To: The Independent Directors of Lizhong Wheel Group Ltd.
(deemed to be independent in respect of the Offer)

Mr See Yen Tarn (Lead Independent Director)

Mr Chua Hung Meng (Independent Director)

Mr Zhao Qinghua (Independent Director)

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFER BY DBS BANK LTD (“DBS BANK”), FOR AND ON BEHALF OF BERKLEY INTERNATIONAL LIMITED (“OFFEROR”), FOR ALL THE ISSUED SHARES OF LIZHONG WHEEL GROUP LTD. (“COMPANY”)

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of the Company (“Shareholders”) dated 18 September 2015 (“Circular”). For the purpose of our IFA Letter, where applicable, we have used the foreign exchange rate of S\$1.00:RMB4.543 and RMB1.00:THB5.556 on 17 August 2014, being the Offer Announcement Date. The above foreign exchange rate is extracted from published information by Bloomberg L.P. and is provided solely for information only.

1. INTRODUCTION

Offer Announcement Date

On 17 August 2015 (“Offer Announcement Date”), DBS Bank announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer (“Offer”) for all the issued and paid-up ordinary shares in the capital of the Company (“Shares”), other than those Shares held, directly or indirectly, by the Offeror (“Offer Shares”) in accordance with Section 139 of the Securities and Future Act, Chapter 289 of Singapore, and Rule 15 of the Singapore Code on Take-overs and Mergers (“Code”) (“Offer Announcement”).

The Offer, to be made at the offer price of S\$0.50 in cash for each Offer Share (“Offer Price”) is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares, which when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, will result in the Offeror holding not less than 90% of the Offer Shares (excluding any Shares held in treasury) as at the close of the Offer (“Acceptance Condition”). The Company does not have any treasury shares.

The Offeror reserves the right to reduce the Acceptance Condition to a lower minimum acceptance level, provided that such revision be made after obtaining the consent of the Securities Industry Council of Singapore (“SIC”).

The Offeror is wholly-owned by Tianjin Dong An Brothers Ltd. (“TDAB”) which is in-turn wholly-owned by members of the Zang family, including the Executive Directors of the Company, Mr Zang Ligen, Mr Zang Liguang and Mr Zang Lizhong, who are brothers. The sole director of the Offeror is Mr Zang Yongxing, the son of Mr Zang Ligen.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Various members of the Zang family including Mr Zang Ligen, Mr Zang Liguu and Mr Zang Lizhong also own 100% of the issued shares of Li Zhong Investment Ltd (“**LZIL**”), which owns 150,956,250 Shares as at the Offer Announcement Date, representing 64.23% of the total number of issued Shares of 235,025,550 Shares.

In addition, Mr Zang Ligen holds directly 3,277,405 Shares as at the Offer Announcement Date, representing 1.39% of the total number of issued Shares. Their sister, Ms Zang Xiu Fen, also holds 2,683,250 Shares as at the Offer Announcement Date, representing 1.14% of the total number of issued Shares.

LZIL, Mr Zang Ligen and Ms Zang Xiu Fen, who hold in aggregate 156,916,905 Shares, representing 66.77% of the total number of issued Shares, have each given their irrevocable undertakings (“**Irrevocable Undertakings**”) to, *inter alia*, accept or procure acceptance of the Offer in respect of all their Shares held by them. With respect to LZIL’s Irrevocable Undertaking, LZIL will also subscribe for the shares of the Offeror (“**Offeror Shares**”) and pay for the subscription amount in respect of such Offeror Shares (“**Set-Off Amount**”) by setting off in full the Set-Off Amount against the proceeds that would otherwise be payable by the Offeror as consideration pursuant to the acceptance of the Offer (“**Arrangements**”).

Subsequent to Offer Announcement Date

On 24 August, the Offeror had received additional Irrevocable Undertakings from additional Shareholders to accept or procure acceptance of the Offer in respect of their Shares, amounting to 7,284,245 Offer Shares, representing 3.10% of the total number of issued Shares.

On 4 September 2015, the formal Offer was made by DBS Bank, for and on behalf of the Offeror, for the Offer Shares, subject to the terms and conditions as set out in the Offer Document. The Offer Document, the FAA and the FAT were despatched to Shareholders on 4 September 2015.

Based on the dealings disclosure announcements made by DBS Bank on behalf of the Offeror between Offer Announcement Date and Latest Practicable Date, the Offeror had acquired, in aggregate, 42,311,000 Shares representing 18.0% of the total number of issued Shares. Accordingly, as at the Latest Practicable Date, based on publicly available information, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (b) Shares in respect of which the Offeror has received Irrevocable Undertakings to accept the Offer, amount to an aggregate of 206,512,150 Shares, representing 87.87% of the total number of issued Shares.

In connection with the Offer, the Company has appointed Provenance Capital Pte. Ltd. (“**Provenance Capital**”) as the independent financial adviser (“**IFA**”) to the Directors who are considered independent in respect of the Offer (“**Independent Directors**”), for the purpose of making their recommendation to the Shareholders in relation to the Offer.

Pursuant to the confirmations sought by the Company, the SIC has ruled that Mr Zang Ligen, who is the Executive Chairman of the Company, Mr Zang Lizhong and Mr Zang Liguu, who are Executive Directors of the Company are exempted from the requirements to make a recommendation to the Shareholders on the Offer as they face irreconcilable conflicts of interest in doing so, being parties acting in concert with the Offeror. The Company has confirmed to us that the remaining Directors, namely, Mr See Yen Tarn, Mr Chua Hung Meng and Mr Zhao Qinghua are deemed independent in respect of the Offer (“**Independent Directors**”).

This letter (“**Letter**”) is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer and our recommendations thereon. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, the details of the Offer and the recommendations of the Independent Directors thereon.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Independent Directors in respect of their recommendation to the Shareholders in relation to the Offer.

We have confined our evaluation and assessment to the financial terms of the Offer, and have not taken into account the commercial risks or commercial merits of the Offer. In addition, we have not been requested to, and we do not express any advice or give any opinion on the merits of the Offer relative to any other alternative transaction. We were not involved in the negotiations pertaining to the Offer nor were we involved in the deliberations leading up to the decision to put forth the Offer to the Shareholders.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position or earnings potential of the Company and its subsidiaries (“**Group**”). Such evaluation or comments remain the responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion. The opinion set forth herein is based solely on publicly available information as well as information provided by the Directors, and is predicated upon the economic and market conditions prevailing as at the Latest Practicable Date. This Letter therefore does not reflect any projections on the future financial performance of the Group and we do not express any views as to the prices at which the Shares may trade after the completion of the Offer.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. In that regard, we have not addressed the relative merits of the Offer in comparison with any alternative transaction the Company may consider in the future. Therefore, we do not express any views in these areas in arriving at our recommendation.

In formulating our opinion and recommendation, we have held discussions with the Directors and the management of the Group (“**Management**”) and have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its other professional advisers. Whilst care has been exercised in reviewing the information we have relied upon, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. Nonetheless, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

The Directors have confirmed, having made all reasonable enquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer, the Company and the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment). In connection with the Offer, the Company had commissioned the independent valuers (“**Valuers**”) to

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

carry out a revaluation of the various properties owned by the Group.

We have been furnished with extracts of the property valuation reports (“**Valuation Reports**”) by the respective Valuers in connection with the Offer:

Properties in the PRC (“PRC Properties”)	Valuer
Land and buildings in Baoding, Hebei 河北保定市七一东路 948 号 (No. 948 Qiyi Road, Baoding, Hebei, People's Republic of China (“ PRC ”))	保定大雁土地评估咨询服务有限公司 (Baoding Dayan Assets Evaluation Co., Ltd) (“ Dayan ”)
Land and buildings in Tianjin, including land under construction 天津开发区西区光华街 58 号 (No. 58 Guanghua Road, West Economic Zone, Binhai New District, Tianjin, PRC)	
Land and buildings in Baotou, Inner Mongolia 包头市东河区生态工业（铝业）示范园区 (Donghe District Aluminium Demonstration Park, Baotou, Inner Mongolia, PRC)	
Land and buildings in Changsha, Hunan 湖南省长沙市长沙县楠竹园路以南、中轴东路以西、映霞路以北 (Nanzhuyuan Road, Changsha Town, Changsha, Hunan, PRC)	
Properties in Thailand (“Thai Properties”)	Valuer
Land and buildings in Rayong Industrial Park No. 7/318 Moo.6 Soi Amata City Industrial Estate (Thai-China Zone), Sattahip-Chachoengsao (HW311) Map Yang Phon Sub-District, Pluak Daeng District, Rayong 21140, Thailand	Siam Appraisal and Services Co., Ltd (“ Siam Appraisal ”)

The extracts of the Valuation Reports by Dayan and Siam Appraisal are attached as Appendix VIII to the Circular.

We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the Valuation Reports for such asset appraisals and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation contained in the Valuation Reports or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements including the Code.

The information we had relied on in the assessment of the Offer was based on market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, which may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or assumptions contained herein. Shareholders should

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

take note of any announcements relevant to their consideration of the Offer, as the case may be, which may be released after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any Shareholder. As each Shareholder may have different investment profiles and objectives, we advise the Directors to recommend that any Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular. We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular. Accordingly, we take no responsibility for and express no view, whether expressed or implied, on the contents of the Circular.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the Offer. The recommendation made to the Shareholders in relation to the Offer, as the case may be, shall remain the sole responsibility of the Independent Directors.

Our recommendation to the Independent Directors in relation to the Offer should be considered in the context of the entirety of this Letter and the Circular.

3. THE OFFER

The detailed terms and conditions of the Offer are set out in the Offer Document dated 4 September 2015. The key terms of the Offer are set out below for your reference.

3.1 Offer Price

The consideration for each Offer Share is as follows:

For each Offer Share: S\$0.50 in cash

3.2 Offer Shares

The Offer is extended, on the same terms and conditions, to all the Offer Shares other than those already held, directly or indirectly, by the Offeror as at the date of the Offer.

3.3 Rights and Encumbrances

The Offer Shares will be acquired (a) fully paid; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever ("**Encumbrances**"); and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and hereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

If any dividend, other distribution or return of capital is announced, declared, paid or made by the

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by an amount equivalent to such dividend, distribution or return of capital paid or made by the Company to such Shareholders who accept or have accepted the Offer.

Since the Offer Announcement Date and up to the Latest Practicable Date, we note that the Company has not made or declared any dividend, distribution or return of capital.

3.4 Conditional Offer

The Offer is conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, will result in the Offeror holding not less than 90% of the Offer Shares (excluding any Shares held in treasury) as at the Closing Date ("**Acceptance Condition**").

The Offeror reserves the right to reduce the Acceptance Condition to a lower minimum acceptance level, provided that such revision be made after obtaining the consent of the SIC. In the event that the Acceptance Condition is revised, the revised Offer shall remain open for another 14 days following such revision and Shareholders who have accepted the Offer will be permitted to withdraw their acceptances within eight (8) days of notification of such revision.

Save for the Acceptance Condition, the Offer will be unconditional in all other respects.

3.5 Duration of the Offer

The information on the duration of the Offer is set out in Section 2.5 of the Offer Document, which is reproduced below:

"(a) Closing Date

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date of posting of this Offer Document.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 2 October 2015 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

(b) Offer to Remain Open for 14 Days after being declared unconditional as to Acceptances

*Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared to be unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed, in order to give those Shareholders who have not accepted the Offer the opportunity to do so. This requirement does not apply if, before the Offer becomes or is declared to be unconditional as to acceptances, the Offeror has given notice in writing to the Shareholders at least 14 days before the specified Closing Date that the Offer will not be open for acceptance beyond that date, provided that such notice may not be given, or if already given, shall not be capable of being enforced in a competitive situation. If a declaration that the Offer is unconditional as to acceptances is confirmed in accordance with paragraph 3(c) of **Appendix IV** to the Offer Document, such period of not less than 14 days during which the Offer shall remain open for acceptance will run from the date of such confirmation, or the date on which the Offer would otherwise have expired, whichever is later.*

(c) Final Day Rule

Pursuant to Rule 22.9 of the Code, the Offer (whether revised or not) will not be capable of becoming or being declared to be unconditional as to acceptances after 5.30 p.m. (Singapore

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

time) on the 60th day after the date of posting of this Offer Document or of being kept open after the expiry of such period, unless it has previously become or been declared to be unconditional as to acceptances, except with the permission of the SIC. The SIC will consider granting such permission in circumstances including but not limited to where a competing offer has been announced.

(d) Revision

Pursuant to Rule 20.1 of the Code, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who had previously accepted the Offer.

(e) Subsequent Closing Date

If there is an extension of the Offer, pursuant to Rule 22.4 of the Code, any announcement of an extension of the Offer will state the next closing date or if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, those Shareholders who have not accepted the Offer will be notified in writing at least 14 days before the Offer is closed.

(f) No Obligation to Extend Offer

The Offeror is not obliged to extend the Offer if the Acceptance Condition is not fulfilled by the Closing Date(s)."

3.6 Further details of the Offer

Section 2 and Appendix IV to the Offer Document contain further details on the Offer, including (a) warranty; (b) the settlement of the consideration for the Offer Shares; (c) the requirements relating to the announcement of the level of acceptances of the Offer; and (d) the right of withdrawal of acceptances of the Offer. The procedures for acceptance of the Offer are set out in Appendix V to the Offer Document.

4. IRREVOCABLE UNDERTAKINGS

As disclosed in paragraph 1 of this Letter, the Offeror had received Irrevocable Undertakings from Shareholders to, *inter alia*, accept the Offer in respect of a total of 164,201,150 Offer Shares, representing 69.87% of the total number of issued Shares.

Under the terms of each of the Irrevocable Undertakings, each of the Undertaking Shareholders has undertaken to, *inter alia*, accept, or procure the acceptance of, the Offer in respect of all (a) the Shares held by him or her as at the date of the Irrevocable Undertakings and (b) any additional Shares that he or she may acquire, or which may be issued or allotted to him or her, on or after the date of the Irrevocable Undertaking, in return for the Offer Price.

With respect to the Irrevocable Undertaking by LZIL, LZIL will subscribe for the Offeror Shares and pay for the subscription amount in respect of such Offeror Shares by setting off in full the Set-Off Amount against the proceeds that would otherwise be payable by the Offeror as consideration pursuant to the acceptance of the Offer by LZIL.

The SIC has confirmed that the Arrangements between LZIL and the Offeror do not constitute special deals for the purpose of Rule 10 of the Code.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Each of the Irrevocable Undertakings shall terminate or lapse in the event that, *inter alia*, the Offer is withdrawn or lapses, or fails to become or be declared to be unconditional in all respects for whatever reason, other than as a result of a breach by the relevant Undertaking Shareholder of his or her obligations under his or her Irrevocable Undertaking.

Further details of the Irrevocable Undertakings are set out in Section 3 of the Offer Document.

As disclosed in the Offer Document, as at 31 August 2015, being the latest practicable date prior to the printing of the Offer Document, save for the Irrevocable Undertakings, no person has given any undertaking to the Offeror or any party acting in concert with it, to accept or reject the Offer.

As at the Latest Practicable Date, based on publicly available information, the Offeror had not announced the receipt of any additional irrevocable undertakings to accept or reject the Offer.

5. INFORMATION ON THE OFFEROR AND ITS CONCERT PARTIES

Offeror and its concert parties

The Offeror is an investment holding company incorporated in the British Virgin Islands. As disclosed in the Offer Document, the Offeror has an issued and paid-up capital of US\$50,000, consisting of 50,000 ordinary shares, all of which are held by TDAB, a company established in the PRC. The sole director of the Offeror is Mr Zang Yongxing. The Offeror was recently incorporated on 2 July 2015 and no audited financial statements of the Offeror have been prepared since the date of its incorporation.

TDAB is, in-turn, wholly-owned by the following 10 individuals who are members of the Zang family (collectively, the "**TDAB Shareholders**") in the following shareholding proportion:

TDAB Shareholders ⁽¹⁾	Shareholding Percentage (%)
Mr Zang Ligu	15.3%
Mr Zang Lizhong	3.3%
Mr Zang Ligen	3.2%
Mr Zang Yongxing	15.2%
Ms Zang Na	15.0%
Mr Zang Yongjian	15.0%
Ms Zang Yakun	15.0%
Mr Zang Yongyi	6.0%
Mr Zang Yonghe	6.0%
Ms Zang Jieixin	6.0%
Total	100.0%

Note:

(1) Mr Zang Ligen, Mr Zang Lizhong and Mr Zang Ligu are brothers. Mr Zang Yongxing is the son and Ms Zang Na is the daughter of Mr Zang Ligen. Mr Zang Yongjian is the son and Ms Zang Yakun is the daughter of Mr Zang Lizhong. Mr Zang Yongyi and Mr Zang Yonghe are the sons, and Ms Zang Jieixin is the daughter of Mr Zang Ligu.

The board of directors of TDAB comprises Mr Zang Ligu, Mr Zang Lizhong, Mr Zang Ligen, Mr Zang Yongxing, Mr Zang Yongjian and Mr Zang Yongyi.

Mr Zang Ligen is also the Executive Chairman of the Company while Mr Zang Ligu and Mr Zang Lizhong are also the Executive Directors of the Company.

The TDAB Shareholders (excluding Mr Zang Yonghe and Ms Zang Jieixin) (the "**LZIL Shareholders**") are also shareholders of LZIL. LZIL is the major Shareholder of the Company and holds 150,956,250 Shares as at the Latest Practicable Date, representing approximately 64.23% of

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

the total number of the issued Shares. The directors of LZIL are Mr Zang Ligen and Mr Zang Yongxing. The shareholding proportion of the LZIL Shareholders in LZIL is as follows:

LZIL Shareholders	Shareholding Percentage (%)
Mr Zang Ligu	23.3%
Mr Zang Lizhong	11.3%
Mr Zang Ligen	11.3%
Mr Zang Yongxing	11.1%
Ms Zang Na	11.0%
Mr Zang Yongjian	11.0%
Ms Zang Yakun	11.0%
Mr Zang Yongyi	10.0%
Total	100.0%

As at the Latest Practicable Date, based on publicly available information, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (b) Shares in respect of which the Offeror has received Irrevocable Undertakings to accept the Offer, amount to an aggregate of 206,512,150 Shares, representing 87.87% of the total number of issued Shares.

Further details relating to the Offeror and parties acting in concert with the Offeror are set out in Section 4 and Appendices I and III to the Offer Document.

6. INFORMATION ON THE COMPANY AND THE GROUP

The Company is incorporated in Singapore and listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 19 October 2005. The Group specialises in the design, manufacture and sale of aluminium alloy wheels, and is one of the largest producers of aluminium alloy wheels in the PRC.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 235,025,550 Shares and the Company does not hold any treasury shares. As at the Latest Practicable Date, the Company does not have any outstanding instruments convertible into, rights to subscribe for, or options in respect of, Shares or securities which carry voting rights in the Company.

Based on the Offer Price of S\$0.50 and the total number of issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Company is approximately S\$117.5 million.

The Directors of the Company are:

- Mr Zang Ligen – Executive Chairman
- Mr Zang Ligu – Executive Director
- Mr Zang Lizhong – Executive Director
- Mr See Yen Tarn – Lead Independent Director
- Mr Chua Hung Meng - Independent Director
- Mr Zhao Qinghua - Independent Director

Additional information on the Company and the Group is set out in Section 5 and Appendix II of the Offer Document and Appendices II and III to the Circular.

7. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions in relation to the Company are

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

set out in Section 6 of the Offer Document.

We note that the Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Hence, the Offeror had made the conditional voluntary cash offer for all the Offer Shares subject to the high minimum acceptance level of 90%. Upon achieving the Acceptance Condition, the Offer will become unconditional in all respects. This will also enable the Offeror, after the close of the Offer, to exercise its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act to acquire all the remaining Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

The Offeror, however, reserves the right to reduce the Acceptance Condition to a lower minimum acceptance level, subject to the consent of the SIC.

In addition, we note that the Offeror does not intend to take any step for the public float to be restored to maintain the Company's listing status if less than 10% of the Shares are held in public hands.

The Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

It should be noted that as at the Latest Practicable Date, based on publicly available information, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (b) Shares in respect of which the Offeror has received Irrevocable Undertakings to accept the Offer, already amount to an aggregate of 206,512,150 Shares, representing 87.87% of the total number of issued Shares. The Offeror is thus very close to, and more precisely, approximately 2.13% short of the minimum acceptance level of 90% as at the Latest Practicable Date. In the event that the Offeror achieves the Acceptance Condition, it will be able to declare the Offer unconditional in all respects and upon the close of the Offer, the Offeror will be entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act to acquire all the remaining Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

8. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In evaluating and assessing the financial terms of the Offer, we have taken into account the pertinent factors set out below which we consider to have a significant bearing on our assessment:

- (a) Market quotation and trading activity of the Shares;
- (b) Financial performance of the Group;
- (c) Net Tangible Assets ("**NTA**") and revalued NTA of the Group;
- (d) Comparison with recently completed privatisation take-over offers of companies listed on the SGX-Mainboard and SGX-Catalist;
- (e) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;
- (f) Dividend track record of the Company; and
- (g) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

8.1 Market quotation and trading activity of the Shares

We have compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares from 18 August 2014, being the 1-year period prior to the Offer Announcement Date, to 10 September 2015, as it is not a market day on the Latest Practicable Date, being a public holiday in Singapore. We note that the Company had requested for a trading halt on the Shares on 17 August 2015 and the Offer was announced after the close of market trading on 17 August 2015. The Shares were last traded on 6 August 2015.

Share Price Chart

We set out below a chart showing the Offer Price relative to the daily last transacted prices and trading volume of the Shares from 18 August 2014 (being the 1-year period prior to the Offer Announcement Date) to 10 September 2015:

**Price movement and traded volume of the Shares
from 18 August 2014 to 10 September 2015**



Source: Bloomberg L.P.

As can be seen from the share price chart above, the Shares have been trading significantly below the Offer Price of S\$0.50 for the period from 18 August 2014 and up to the Offer Announcement Date. Based on our findings of trades done prior to the Offer Announcement Date, the Shares were last traded at S\$0.50 on 25 March 2011.

Market Statistics

In addition to the share price chart above, we have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares from 18 August 2014 (being the 1-year period prior to the Offer Announcement Date) and up to 10 September 2015.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Reference period	Highest traded price (S\$)	Lowest traded price (S\$)	VWAP ⁽¹⁾ (S\$)	Premium/ (discount) of Offer Price over/(to) VWAP	Number of traded days ⁽²⁾	Average daily trading volume ⁽³⁾	Average daily trading volume as a percentage of free float ⁽⁴⁾
<u>Prior to the Offer Announcement Date</u>							
Last 1 year	0.335	0.183	0.255	96.08%	72	15,324	0.02%
Last 6 months	0.335	0.183	0.260	92.31%	46	25,478	0.03%
Last 3 months	0.335	0.220	0.279	79.21%	24	21,946	0.03%
Last 1 month	0.300	0.220	0.267	87.27%	7	26,067	0.04%
6 August 2015 (last trading day prior to the Offer Announcement Date)	0.255	0.255	0.255	96.08%	1	100	n.m. ⁽⁵⁾
<u>After the Offer Announcement Date</u>							
From 18 August 2015 to 10 September 2015	0.505	0.485	0.498	0.40%	17	2,972,000	4.05%
10 September 2015	0.505	0.500	0.500	-	1	18,100	0.02%

Source: Bloomberg L.P.

Notes:

- (1) The volume-weighted average price ("VWAP") for the respective periods are calculated based on the daily VWAP turnover divided by VWAP volume as extracted from Bloomberg L.P.;
- (2) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;
- (3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of market trading days (excluding market trading days with full day trading halts) during that period;
- (4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders of the Company. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 73,351,474 Shares based on the free float of 31.21% as disclosed in the Company's annual report for the financial year ended 31 December 2014; and
- (5) n.m. means not meaningful.

We observe the following with regard to the share price performance of the Company from 18 August 2014 (being the 1-year period prior to the Offer Announcement Date) and up to 10 September 2015:

- (a) Over the 1-year period prior to the Offer Announcement Date, the Shares have traded between a low of S\$0.183 and a high of S\$0.335. The Offer Price represents a premium of S\$0.317 (or 173.22%) and S\$0.165 (or 49.25%) above the lowest transacted price and the highest transacted price of the Shares, respectively. The Shares have traded below the Offer Price during the entire 1-year period prior to the Offer Announcement Date;
- (b) The Offer Price represents a premium of approximately 96.08%, 92.31%, 79.21% and 87.27% above the VWAP of the Shares for 1-year, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date, respectively;
- (c) The Offer Price represents a premium of approximately 96.08% above the last transacted price of the Shares of S\$0.255 on 6 August 2015, being the day when the Shares were last traded prior to the Offer Announcement; and

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

- (d) Since the Offer Announcement Date and up to 10 September 2015, the Shares had generally traded close to the Offer Price of between S\$0.485 and S\$0.505. The Offer appears to serve as a catalyst for the Shares to trade up to its 1-year high. We note that bulk of the trades done on the Shares were at S\$0.50 and the Share purchases were made by the Offeror. As an illustration, of the total volume of 50.5 million Shares traded between 18 August 2015 and 10 September 2015, approximately 83.7% of the total Shares traded were purchases made by the Offeror and at the price of S\$0.50. As at 10 September 2015, the Shares were last transacted at S\$0.505, which is slightly above the Offer Price.

We observe the following with regard to the trading liquidity of the Shares:

- (i) Over the 1-year period prior to the Offer Announcement Date, the Shares were not frequently traded on a daily basis throughout the period and trading liquidity on the Shares was low. The average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date represent 0.02%, 0.03%, 0.03% and 0.04% of the free float of the Shares respectively; and
- (ii) During the period following the Offer Announcement Date and up to the Latest Practicable Date, the average daily trading volume on the Shares increased significantly presumably as a reaction to the Offer and also due to the market purchases by the Offeror. Average daily trading volume was approximately 2.97 million Shares, representing 4.05% of the free float of the Shares, which is significantly higher when compared to the 1-year period prior to the Offer Announcement Date. As pointed out in point (d) above, bulk of the Shares traded on the SGX-ST were purchases made by the Offeror.

8.2 Financial performance of the Group

As disclosed in the 2014 annual report of the Company, the Group has been profitable over the past five financial years ended 31 December 2014 (“FY2014”) and had reported increasing revenue annually. The Group last reported higher interim results for the six-month period ended 30 June 2015 (“HY2015”) as compared to the corresponding period for FY2014.

A summary of the key financial results of the Group for the last three financial years, FY2012, FY2013 and FY2014, and for the latest interim results for HY2015 and HY2014 is set out below:

(RMB'000)	Audited			Unaudited	
	FY2012	FY2013	FY2014	HY2014	HY2015
Revenue	2,355,261	2,695,234	2,909,666	1,363,587	1,649,657
Gross profit	276,080	358,692	480,186	233,023	271,533
Profit before income tax	56,046	86,595	115,481	49,567	67,713
Profit after income tax	51,609	73,883	90,792	39,616	55,889
Profit attributable to owners of the Company	46,307	70,294	87,915	38,139	56,416

Source: The Company's annual reports for the respective financial years and the announcement relating to the unaudited financial results of the Group for HY2015.

Review of Operating Results

FY2013 vs FY2012

Revenue for FY2013 increased by 14.4% from RMB2.36 billion in FY2012 to RMB2.70 billion in FY2013. The increase in revenue was mainly contributed by the increase in sales of RMB436.4

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

million from the domestic and overseas Original Equipment Manufacturer (“OEM”) business segments. However, this was partially offset by RMB107.2 million decrease in sales from the domestic and overseas aftermarket business segments.

Gross profit increased by 29.9% from RMB276.1 million in FY2012 to RMB358.7 million in FY2013, outpacing overall revenue growth. Gross profit margin improved by 1.6 percentage points from 11.7% in FY2012 to 13.3% in FY2013 due to the higher margins from overseas OEM sales.

In line with higher revenue, the Group incurred a 37.6% increase in operating expenses for FY2013 due mainly to higher distribution, selling and administrative costs. Finance costs was lower in FY2013 due to lower interest rates from US\$ borrowings as compared with RMB borrowings.

As a result, net profit attributable to owners of the Company increased by 51.8% from RMB46.3 million in FY2012 to RMB70.3 million in FY2013.

FY2014 vs FY2013

Revenue for FY2014 increased by 8.0% from RMB2.70 billion in FY2013 to RMB2.91 billion in FY2014. The increase in revenue was mainly due to an increase in sales of RMB314.0 million from the overseas OEM business segment. However, this was offset by a decrease in sales of RMB63.4 million in the domestic OEM business segment and a decrease in sales of RMB67.9 million from the overseas and domestic aftermarket business segments. The increase in revenue was due mainly to an increase in sales volumes.

Gross profit increased by 33.9% from RMB358.7 million in FY2013 to RMB480.2 million in FY2014. The gross profit margin also improved by 3.2 percentage points from 13.3% in FY2013 to 16.5% in FY2014, due mainly to the increase in overseas OEM sales.

In line with improved revenue, the Group incurred a 28.3% increase in operating expenses for FY2014 due mainly to higher distribution, selling and administrative costs. Finance costs also increased due mainly to the increase in bank loans.

As a result, net profit attributable to owners of the Company increased by 25.1% from RMB70.3 million in FY2013 to RMB87.9 million in FY2014.

HY2015 vs HY2014

Revenue for HY2015 increased by RMB286.1 million (or 21.0%) from RMB1.36 billion in HY2014 to RMB1.65 billion in HY2015. The increase in revenue was mainly due to the increase in revenue from both the overseas and domestic OEM business segments, which was partially offset by the decrease in the overseas and domestic aftermarket business segments. The increase in revenue was due mainly to an increase in sales volumes.

Gross profit increased by 16.5% from RMB233.0 million in HY2014 to RMB271.5 million in HY2015. Gross profit margin decreased by 0.6 percentage points from 17.1% in HY2014 to 16.5% in HY2015. It was mainly due to the decline in gross margin from its domestic aftermarket business segment.

In line with the increase in revenue, operating expenses of the Group also increased. Finance costs also increased due mainly to the increase in bank loans.

As a result, net profit attributable to owners of the Company increased by 47.9% from RMB38.1 million in HY2014 to RMB56.4 million in HY2015.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Statement of Prospects

We note that the Company had, in the announcement of its unaudited results for HY2015 released on 13 August 2015, made the following comments including a commentary on the Group's prospects which we have reproduced in italics below:

*"As disclosed in the Company's Quarterly Financial Results announcement dated 29 April 2015 (the **"29 April 2015 Announcement"**), the Group expected FY2015 to be a profitable year, and the Group's performance for Q2 2015 is in line with the statement set out in Paragraph 10 of the 29 April Announcement.*

Second half of the financial year remains challenging for the Group due to expected slowdown in the economy of China and stiffer competition from other major global suppliers.

Barring any unforeseen circumstances, the Group is expected to remain profitable for the financial year ending 31 December 2015."

The above commentary was not made in connection with the Offer. However, the statement that the Group is expected to remain profitable for the financial year ending 31 December 2015 constitutes a statement of prospects ("**Statement of Prospects**") pursuant to the Code. Accordingly, pursuant to the Code, the above Statement of Prospects has to be commented on by the auditors of the Company, Deloitte & Touche LLP, ("**Deloitte**") and by us.

Deloitte had opined that the Statement of Prospects was examined in accordance with the Singapore Standard on Assurance Engagements 3400 applicable to the examination of prospective financial information and that it is consistent with the accounting policies normally adopted by the Group.

On our part, we are of the view that the Statement of Prospects had been issued by the Board of Directors of the Company after due and careful enquiry.

Please refer to the letter from Deloitte and our letter on the Statement of Prospects set out in Appendices VI and VII respectively to the Circular.

Historical Price-earnings Ratio ("**PER**") implied by the Offer Price

PER illustrates the valuation ratio of the current market value of a company's shares relative to its consolidated basic earnings per share as stated in its financial statements. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The historical PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

We have evaluated the implied PER of the Group as ascribed by the Offer Price based on:

- (i) the Group's latest full year profit attributable to owners of the Company of RMB87.9 million (S\$19.4 million) for FY2014; and
- (ii) the Group's trailing 12-month ("**T12M**") earnings of RMB106.2 million (S\$23.4 million), which takes into consideration the Group's unaudited results for HY2015.

The market capitalisation of the Company as implied by the Offer Price and based on the total number of issued Shares as at the Latest Practicable Date, is approximately S\$117.5 million.

The Offer Price thus values the Group on a PER of approximately **6.07 times** based on the Group's earnings for FY2014 and approximately **5.03 times** based on the Group's T12M earnings.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

8.3 NTA and revalued NTA of the Group

The unaudited financial position of the Group as at 30 June 2015 is set out below:

(RMB'000)	Unaudited As at 30 June 2015
Current assets	
Cash and Cash equivalents	261,288
Pledged bank deposits	139,189
Trade receivables	1,135,707
Other receivables and prepayments	183,262
Derivative financial instruments	7,097
Inventories	533,220
Total current assets	2,259,763
Non-current assets	
Prepaid lease payments	119,907
Prepayment	47,366
Property, plant and equipment	906,006
Intangible assets	12,750
Deferred tax asset	1,262
Total non-current assets	1,087,291
Total assets	3,347,054
Current liabilities	
Short-term bank loans	695,649
Current portion of long-term loans	119,048
Trade payables	939,782
Other payables	173,656
Income tax payable	6,134
Deferred income	6,212
Derivative financial instruments	642
Total current liabilities	1,941,123
Non-current liabilities	
Long-term loans	424,889
Deferred income	5,536
Deferred tax liabilities	15,685
Total non-current liabilities	446,110
Total liabilities	2,387,233
Equity attributable to the owners of the Company	884,022
Non-controlling interests	75,799
Total equity	959,821
NAV of the Group	884,022
NTA of the Group	871,272
Number of issued Shares	235,025,550
NTA per Share	
- RMB	3.71
- S\$	0.82

Source: The announcement relating to the unaudited results of the Group for HY2015.

As at 30 June 2015, the net asset value (“NAV”) of the Group was approximately RMB884.0 million (\$S\$194.6 million). After deducting intangible assets of RMB12.75 million, the NTA of the Group was

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

approximately RMB871.3 million (\$191.8 million).

The NTA per Share as at 30 June 2015 was RMB3.71 (\$0.82).

Analysis of the assets of the Group

The current assets of the Group as at 30 June 2015 comprised mainly trade receivables (RMB1,135.7 million), inventories (RMB533.2 million), and cash and bank deposits (RMB400.5 million), which accounted for approximately 33.9%, 15.9% and 12.0% of the total assets of the Group respectively.

The non-current assets of the Group comprised mainly property, plant, and equipment (“PPE”) (RMB906.0 million) and prepaid lease payments (RMB119.9 million), which accounted for approximately 27.1% and 3.6% of the total assets of the Group respectively.

As at 30 June 2015, PPE of RMB906.0 million comprises mainly buildings which house the Group’s production and manufacturing facilities in various locations (RMB267.3 million), plant and machinery (RMB576.1 million), construction in-progress (RMB30.1 million) and freehold land (RMB14.5 million). The freehold land is in relation to the Group’s production plant located in the Thai-China Rayong Industrial Park in Rayong, Thailand. Construction in-progress is in relation to construction of equipment and the manufacturing plant in Tianjin.

Prepaid lease payments relate mainly to the land use rights on which the Group’s buildings are situated or construction is in progress in the PRC. Amortisation is charged on the prepaid lease payments on a straight line basis over the period of the land use rights of 50 years.

In summary, as at 30 June 2015, the Group owns nine main subsidiaries, of which eight are operating in the PRC and one in Thailand. Of these, five subsidiaries are in wheel manufacturing, one in mould manufacturing and two in automobile assembly in the PRC, and one in wheel manufacturing in Thailand. The main properties of the Group which comprise freehold land, land use rights and buildings (“Properties”) are as follows:

Property	Net Book Value as at 30 June 2015 (RMB'000)
Land and buildings in Baoding, Hebei	32,408
Land and buildings in Tianjin, including land under construction	194,869
Land and buildings in Baotou, Inner Mongolia	80,574
Land and buildings in Changsha, Hunan	22,154
Sub-total of PRC Properties	330,005
Land and buildings in Rayong, Thailand	68,612
Total	398,617

As at 30 June 2015, the net book value of the Properties totalling RMB398.6 million represents 11.9% and 45.7% of the total assets and NTA of the Group respectively. As the Properties constitute a significant proportion of the NTA of the Group which may have significant market valuation, in connection with the Offer, the Company had therefore commissioned the Valuers to carry out an independent desk-top valuation of these Properties. This is to enable us to assess the impact of the revaluation surplus or deficit arising from these valuations on the NTA of the Group as at 30 June 2015. Please see section below under the caption “Revalued NTA of the Group” for details of the valuation of the Properties.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

As at 30 June 2015, the net book value of the plant and machinery of the Group amounted to RMB576.1 million, representing 17.2% and 66.1% of the total assets and NTA of the Group respectively. The main plant and machinery includes eight wheel production lines, with each wheel production line consisting of casting machines, heat treatment furnace, CNC lathes, painting lines, inspection equipment and test equipment; and two tyre and wheel assembly lines, with each line consisting of assembly machines and inspection equipment.

We have considered and discussed with Management on the need for the revaluation of the plant and machinery of the Group for the purpose of assessing the financial terms of the Offer as the total net book value of these plant and machinery is significant. We understand from Management that the plant and equipment owned by the Group are customised wheel production and assembly lines to cater to its principal OEM and aftermarket business segments. These plant and machinery are carried at cost less accumulated depreciation and any accumulated impairment losses. These plant and machinery are depreciated over a period of 10 years. For the audited financial statements of the Group for FY2014, Management had determined that the estimated useful lives and residual values of the plant and equipment are appropriate and no revision or impairment is required.

As such, for the purpose of the Offer, Management has represented to us that there are no material differences between the realizable values of the plant and equipment and their respective net book values as at 30 June 2015. Accordingly, the Company did not commission an independent market valuation of the plant and machinery.

Analysis of the liabilities of the Group

The total liabilities of the Group of RMB2,387.2 million as at 30 June 2015 comprised mainly short-term and long-term loans totalling RMB1,239.6 million, and trade payables of RMB939.8 million, which accounted for 51.9% and 39.4% of total liabilities of the Group, respectively.

The term loans of the Group as at 30 June 2015 are secured, *inter alia*, against: (i) property, plant and equipment of the Group; (ii) corporate guarantees issued by the Company and/or certain subsidiaries of the Group; and (iii) pledge of cash, shares of certain subsidiary of the Group and Shares held by LZIL.

As at 30 June 2015, the Group has a gross gearing ratio of 1.29 times (based on total bank borrowings and total equity) and a net gearing ratio of 0.87 times after deducting cash, cash equivalents and pledged bank deposits.

Total Equity

Total equity amounted to RMB959.8 million as at 30 June 2015 which comprises equity attributable to owners of the Company of RMB884.0 million and non-controlling interests of RMB75.8 million. Equity attributable to owners of the Company is contributed by share capital of RMB140.5 million, retained earnings of RMB650.2 million and other reserves totalling RMB93.3 million.

Revalued NTA of the Group

As mentioned above, in connection with the Offer, the Company has commissioned Dayan and Siam Appraisal as the Valuers to carry out the independent desktop valuations for the Properties in the PRC and Thailand respectively. The extracts of the Valuation Report by Dayan dated 9 September 2015 and the Valuation Report by Siam Appraisal dated 4 September 2015 are attached as Appendix VIII to the Circular.

Pursuant to the Valuation Reports, we note that the Valuers had revalued the Properties using various valuation methodologies, including, the income, comparison and investment approaches (in relation to the PRC Properties) and the cost approach, taking into consideration comparison with

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

similar land and property (in relation to the Thai Properties).

We have set out below our computation of the revaluation surpluses arising from the valuation of the Properties. As these Properties are held by subsidiaries, some of which are not wholly-owned by the Group, we have therefore made adjustments to the revaluation surplus to take into consideration the proportion that is attributable to the Group.

Property	Net Book Value as at 30 June 2015 (RMB'000)	Market Value as at 30 June 2015 (RMB'000)	Surplus/(Deficit) arising from the valuation (RMB'000)	% attributable to the Group	Share of surplus/(deficit) attributable to the Group (RMB'000)
Land and buildings in Baoding, Hebei	32,408	59,969	27,561	100%	27,561
Land and buildings in Tianjin, including land under construction	194,869	247,619	52,750	100%	52,750
Land and buildings in Baotou, Inner Mongolia	80,574	75,042	(5,532)	60%	(3,319)
Land and buildings in Changsha, Hunan	22,154	24,202	2,048	77.0158%	1,577
Sub-total of PRC Properties	330,005	406,832	76,827		78,569
Land and buildings in Rayong, Thailand	68,612	52,199	(16,413)	99.97%	(16,408)
Total	398,617	459,031	60,414		62,161

In assessing the revaluation surplus arising from the fair value of the PRC Properties and the Thailand Properties, we have also considered whether there is any potential tax liability on the revaluation surplus which may affect the NTA per Share for the purpose of evaluating against the Offer Price, especially if the Properties were to be sold at the valuation amount. In a hypothetical scenario where the Properties are sold, then the Group may incur potential tax liabilities of approximately RMB20.5 million on the revaluation surpluses attributable to the Properties in Baoding, Tianjin and Baotou, based on the corporate income tax rate of 25% in the PRC.

We were informed by Management that the Properties house the Group's various production and assembly facilities and are held for long term investment purposes for their own use and the Group has no current plans to dispose of their interests in the Properties. As such, the above tax liabilities may not crystallise.

On a conservative basis, we have computed the revalued NTA ("RNTA") of the Group after taking into account the potential tax liabilities as follows:

	RMB'000	RMB per Share	S\$ per Share
NTA of the Group as at 30 June 2015	871,272	3.71	0.82
Revaluation surplus arising from the valuation of the Properties attributable to the Group	62,161	0.26	0.06
Less: Potential tax liabilities	(20,472)	(0.09)	(0.02)
RNTA of the Group as at 30 June 2015	912,961	3.88	0.86

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Events subsequent to 30 June 2015

On 14 August 2015, the Company announced that the Group's operations had been affected by the explosions at a warehouse in the Tianjin Binhai New Area on the night of 12 August 2015 in Tianjin, PRC ("**Explosion**"). We reproduce an extract of the Company's announcement on the Explosion in italics below:

*"The Company has 60 cargo containers ("**Containers**") at Tianjin Port, part of the affected area ("**Affected Area**"). However, the level of damage had not been established by the Company as the Affected Area had been cordoned off. The Explosion has resulted in the disruption of delivery services at Tianjin Port. The Company is now looking for other alternative ports to deliver the Containers, which may increase the transportation costs.*

The financial impact on the Group can only be reliably determined at a later date."

We understand from the Management that the Group has insurance coverage on the Containers but, as at the Latest Practicable Date, there is no further update as to the above.

Price-to-NTA ("**P/NTA**") and Price-to-RNTA ("**P/RNTA**") ratios of the Group implied by the Offer Price

The NTA based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

We have evaluated the implied P/NTA ratio of the Group as ascribed by the Offer Price based on the Group's (i) latest unaudited NTA as at 30 June 2015; and (ii) RNTA as at 30 June 2015.

Based on the Group's unaudited NTA as at 30 June 2015 of RMB871.3 million, representing S\$0.82 per Share, the Offer Price values the Group on a P/NTA ratio of approximately **0.61 times**, that is, the Offer Price is at a discount of 39.0% to the NTA per Share.

Based on the Group's RNTA as at 30 June 2015 of RMB913.0 million, representing S\$0.86 per Share, the Offer Price values the Group on a P/RNTA ratio of approximately **0.58 times**, that is, the Offer Price is at a discount of 41.9% to the RNTA per Share.

In our evaluation of the financial terms of the Offer, we have also considered whether there is any asset which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 30 June 2015, and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NTA as at 30 June 2015.

In respect of the above, we have sought the following confirmation from the Board of Directors and the Management, and they have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief, save as disclosed in the announcement made by the Company on 14 August 2015:

- (a) there are no material differences between the realizable values of the Group's assets and their respective book values as at 30 June 2015 which would have a material impact on the NTA of the Group;
- (b) other than that already provided for or disclosed in the Group's financial statements as at 30 June 2015, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NTA of the Group as at the Latest Practicable

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Date;

- (c) there are no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole;
- (d) save as disclosed in the unaudited statement of financial position of the Group as at 30 June 2015, there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and
- (e) there are no material acquisitions or disposals of assets by the Group between 30 June 2015 and the Latest Practicable Date nor does the Group have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

For the avoidance of doubt, we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, real properties) of the Group but have been provided with the extracts of the Valuation Reports from the Valuers. We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the Valuation Reports for such asset appraisal and have not made any independent verification of the contents thereof.

The stated values of the Properties are based on the valuations performed by the Valuers. We do not assume any responsibility to inquire about the basis of such valuations or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements including Rule 26 of the Code.

8.4 Comparison with recently completed privatisation take-over offers of companies listed on the SGX-Mainboard and SGX-Catalist

We note that the intention of the Offeror is to delist the Company from the SGX-ST and, if and when entitled, to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act.

In assessing the reasonableness of the Offer Price, in light of the above stated intention of the Offeror, we have compared the financial terms of the Offer with those of selected successful privatisation transactions that were announced and completed since January 2014 and up to the Latest Practicable Date, which were carried out either by way of voluntary delisting exit offers under Rule 1307 of the Listing Manual, offers being made by way of a scheme of arrangement under Section 210 of the Companies Act or general takeover offers under the Code where the offeror has stated its intentions to delist the listed company from the SGX-ST Main Board or the SGX-ST Catalist ("**Precedent Privatisation Transactions**").

This analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out:

- (a) the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs prior to the announcement of the Precedent Privatisation Transactions; and
- (b) the premium or discount represented by each of the respective offer prices to the NTA of the respective target companies. We note that certain Precedent Privatisation Transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the RNTA or adjusted NTA of the Precedent Privatisation Transactions, where applicable.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

We wish to highlight that the target companies listed in Precedent Privatisation Transactions as set out in the analysis below may not be directly comparable to the Group in terms of size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. The premium or discount that an offeror pays in any particular non-privatisation take-over varies in different specific circumstances depending on, *inter alia*, factors such as the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence or absence of competing bids for the target company, and the existing and desired level of control in the target company. The list of the Precedent Privatisation Transactions is by no means exhaustive and as such any comparison made only serves as an illustration. Conclusions drawn from the comparisons made may not necessarily reflect the perceived or implied market valuation of the Company.

Name of company	Sector	Date of announcement	Premium/(Discount) of Offer Price over/(to):			P/NTA (times)
			Last transacted price prior to announcement	1 month VWAP prior to announcement	3 month VWAP prior to announcement	
Singapore Land Limited	Property developer and investments in hotels and retail centres	24 Feb 14	11.2	16.9	13.9	0.7 ⁽¹⁾
Chemoil Energy Limited	Physical supplier in the marine fuel industry	25 Feb 14	29.0	31.1	32.5	1.1
Asia Power Corporation Limited	Ownership, management and operation of power plants	24 Mar 14	-	1.2	1.4	0.6
China XLX Fertiliser Limited	Manufacturing and sale of urea, compound fertiliser and methanol in the PRC	31 Mar 14	23.1	28.9	24.8	0.8
CapitaMalls Asia Limited	Shopping mall developer	14 Apr 14	30.2	34.4	32.8	0.9 ⁽²⁾
ASJ Holdings Limited	Manufacturing and sale of resistors and distributors of electronic and non-electronic components	7 May 14	18.2	43.7	55.4	0.7 ⁽³⁾
Goodpack Limited	Intermediate bulk container solutions provider	27 May 14	23.2	30.8	31.3	3.1 ⁽¹³⁾
Lee Kim Tah Holdings Limited	Construction, property development and investments	25 Sep 14	6.4	11.8	12.3	0.9 ⁽⁴⁾
UE E&C Ltd.	Provider of integrated building solutions	3 Oct 14	(2.3)	2.7	5.0	1.2 ⁽⁵⁾
ECS Holdings Limited	Distribution of information, communications and technology products	14 Nov 14	11.5	9.0	11.5	0.7 ⁽⁶⁾

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Name of company	Sector	Date of announcement	Premium/(Discount) of Offer Price over/(to):			P/NTA (times)
			Last transacted price prior to announcement	1 month VWAP prior to announcement	3 month VWAP prior to announcement	
euNetworks Group Limited	Operates high capacity fibre networks, provide high capacity communications infrastructure and networking solutions and services to large corporate companies, carriers, and service providers	17 Nov 14	32.6	58.4	69.2	1.9
Popular Holdings Limited	Property development, retail and distribution of publishing and e-learning	14 Jan 15	39.1	39.7	37.3	1.1 ⁽⁷⁾
STATS ChipPAC Ltd.	Provider of semiconductor packaging design, bump, probe, assembly, test, and distribution services for communications, digital consumer, and computing market applications	29 Dec 14	39.0	24.5	27.6	1.9 ⁽⁸⁾
Keppel Land Limited	Property developer	23 Jan 15	20.0	25.0	28.8	0.7 ⁽⁹⁾
Action Asia Limited	Manufacturing and assembling of mobile audio and video entertainment products	27 Feb 15	69.6	67.6	66.7	0.8 ⁽¹⁰⁾
Junma Tyre Cord Company Limited	Production and sale of Nylon 6 industrial yarn and Nylon 6 dipped tyre cords	10 Mar 15	222.6 ⁽¹³⁾	162.3 ⁽¹³⁾	174.7 ⁽¹³⁾	0.9 ⁽¹¹⁾

High	222.6	162.3	174.7	3.1
Low	(2.3)	1.2	1.4	0.6
Mean	23.4	28.4	30.0	1.0
Median	23.1	28.9	28.8	0.9

Company (implied by the Offer Price)	17 Aug 15	96.1	87.3	79.2	0.61⁽¹²⁾ (NTA)
					0.58⁽¹²⁾ (RNTA)

Source: SGX-ST announcements and circulars to shareholders in relation to the Precedent Privatisation Transactions.

Notes:

(1) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the hotel properties of Singapore

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Land Limited as at 31 December 2013;

- (2) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of CapitaMalls Asia Limited as at 31 March 2014;
- (3) Based on the revalued NTA per share as adjusted for the net revaluation surplus on certain property, plant and equipment of ASJ Holdings Limited as at 30 April 2014;
- (4) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Lee Kim Tah Holdings Limited as at 30 June 2014;
- (5) Based on the revalued NAV per share as adjusted for the change in carrying value of investments in associates and joint ventures of UE E&C Ltd. as at 30 September 2014;
- (6) Based on the unaudited NTA per share after deducting for intangible assets of ECS Holdings Limited as at 30 September 2014;
- (7) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Popular Holdings Limited as at 31 October 2014;
- (8) Based on the NTA per share (excluding the value of the perpetual securities which were issued in connection with the offer) of Stats ChipPAC Ltd as at 29 March 2015;
- (9) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Keppel Land Limited as at 31 December 2014;
- (10) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Action Asia Limited as at 31 March 2015;
- (11) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the land use rights, property, plant and equipment of Junma Tyre Cord Company Limited as at 31 December 2014;
- (12) P/NTA of the Group is 0.61 times based on the unaudited NTA per Share as at 30 June 2015 and 0.58 times based on the RNTA per Share of the Group as at 30 June 2015; and
- (13) Excluded as statistical outlier in the mean and median computations.

Based on the above, we note that:

- (a) The premia implied by the Offer Price over the last transacted price, VWAP for 1-month period and 3-month period prior to the Offer Announcement Date are within the range and significantly higher than the mean and median of the corresponding premia of the Precedent Privatisation Transactions;
- (b) The P/NTA ratio of 0.61 times is at the lower end of the range of the corresponding P/NTA ratios of the Precedent Privatisation Transactions and therefore lower than the mean and the median of the corresponding P/NTA ratios of the Precedent Privatisation Transactions; and
- (c) The P/RNTA ratio of 0.58 times is lower than the lower end of the range of the corresponding P/NTA ratios of the Precedent Privatisation Transactions and therefore lower than the mean and the median of the corresponding P/NTA ratios of the Precedent Privatisation Transactions.

Independent Shareholders should note that the above comparison with the Precedent Privatisation Transactions is purely for illustrative purposes only.

8.5 Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group

For the purpose of assessing the Offer Price, we have considered listed companies whose businesses are broadly comparable with the Group with a market capitalisation of less than S\$500 million. As the Group is principally engaged in the design, manufacture and sale of aluminium wheels for the automobile industry, we have considered companies that are engaged in the manufacturing of products that cater to the automobile industry ("**Comparable Companies**") and which are also

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

listed and traded on the SGX-ST to be considered as broad proxies to the Group. There are no Comparable Companies listed on the SGX-ST. Hence, we have extended our search to other regional stock exchanges and selected three Comparable Companies listed on these stock exchanges.

We have had discussions with Management about the suitability and reasonableness of the selected Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The selected Comparable Companies' accounting policies with respect to the values for which the assets or the revenue and cost are recorded may differ from that of the Group.

We wish to highlight that the selected Comparable Companies are not exhaustive and it should be noted that there may not be any listed company that is directly comparable to the Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the selected Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the selected Comparable Companies, as extracted from Bloomberg L.P. is set out below:

Company	Stock Exchange	Principal Business
Steel Strips Wheels Limited ("Steel Strips")	Bombay	Steel Strips manufactures single piece steel wheel rims for scooters, passenger cars, utility vehicles and tractors.
Dayou Smart Aluminium Co., Ltd ("Dayou")	Korea	Dayou develops, processes and manufactures aluminium products such as aluminium alloy wheels and castings used in automobiles. Dayou also produces high-strength aluminium used in machineries, aircrafts, military equipment and pipes.
Prima Alloy Steel Universal Tbk ("Prima Alloy")	Jakarta	Prima Alloy manufactures, sells and exports rims, stabilizers and other equipment made from aluminium alloy and steel. Its main products are aluminium alloy wheels including steel and chrome wheels for passenger cars, jeeps, luxury cars and light trucks.

Source: Bloomberg L.P.

For the purpose of our evaluation and for illustration, we have made comparison between the Group and the selected Comparable Companies using the following bases:

- (i) The historical PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern; and
- (ii) The P/NTA ratio or NTA approach is used to show the extent the value of each share is backed by all assets. The NTA approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities of the group.

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Selected listed companies	Last Financial Year End	Market Capitalisation as at Offer Announcement Date ⁽¹⁾ (\$' million)	Historical PER ⁽²⁾ (times)	Historical P/NTA ratio ⁽²⁾ (times)
Steel Strips	31 Mar 2015	112.97	11.55	1.31
Dayou	31 Dec 2014	117.49	n.m. ⁽⁴⁾	1.50
Prima Alloy	31 Dec 2014	10.48	19.83	0.15
High			19.83	1.50
Low			11.55	0.15
Mean			15.69	0.99
Median			15.69	1.31
Company	31 Dec 2014	117.5	5.03	0.61⁽³⁾
(implied by the Offer Price)				(NTA)
				0.58⁽³⁾
				(RNTA)

Source: Bloomberg L.P.

Notes:

- (1) The exchange rate used was S\$1.00:INR46.3298 for Steel Strips, S\$1.00:KRW840.2639 for Dayou and S\$1.00:IDR9807.72 for Prima Alloy as at the Offer Announcement Date;
- (2) The historical PER ratios and P/NTA ratios of the selected Comparable Companies were retrieved from Bloomberg as set out in their latest available published interim or full-year results or T12M earnings as at the Offer Announcement Date;
- (3) P/NTA of the Group is 0.61 times based on the unaudited NTA per Share as at 30 June 2015 and 0.58 times based on the RNTA per Share of the Group as at 30 June 2015; and
- (4) n.m. means not meaningful.

Based on the above, we note that:

- (a) The historical PER of the Company of 5.03 times as implied by the Offer Price is significantly below the range and significantly lower than the mean and median of the historical PER of the Comparable Companies;
- (b) The P/NTA ratio of the Company of 0.61 times as implied by the Offer Price is within the range but lower than the mean and median of the historical P/NTA ratios of the comparable Companies; and
- (c) The P/RNTA ratio of the Company of 0.58 times as implied by the Offer Price is within the range but also lower than the mean and median of the historical P/NTA ratios of the comparable Companies.

8.6 Dividend track record of the Company

The Company has not been declaring or paying any dividend on its Shares for the last three financial

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

years. The last dividend declared by the Company was with respect to its final one-tier tax exempt dividend of RMB5.0 cents (then equivalent to approximately 0.971 Singapore cents) per Share in respect of the financial year ended 31 December 2010.

The Directors have confirmed that the Company does not have a fixed dividend policy and that they will recommend future dividends after taking into consideration the Group's cash and financial position, financial performance of the Group, working capital requirements and projected capital expenditure and other investment plans.

We wish to highlight that the above dividend analysis of the Company serves only as an illustrative guide and is not an indication of the Company's future dividend policy. There is no assurance that the Company will pay dividends in future and/or maintain the level of dividends paid in the past periods.

8.7 Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment

8.7.1 Acceptance Condition

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror before or during the Offer, will result in the Offeror holding not less than 90% of the Offer Shares (excluding any Shares held in treasury) as at the close of the Offer.

It is also stated in the Offer Document that the Offeror reserves the right to reduce the Acceptance Condition to a lower minimum acceptance level, provided that such revision be made after obtaining the consent of the SIC. In the event that the Acceptance Condition is revised, the revised Offer shall remain open for another 14 days following such revision and Shareholders who have accepted the Offer will be permitted to withdraw their acceptances within eight (8) days of notification of such revision.

Save for the Acceptance Condition, the Offer is unconditional in all other respects.

It should be noted that as at the Latest Practicable Date, based on publicly available information, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (b) Shares in respect of which the Offeror has received Irrevocable Undertakings to accept the Offer, already amount to an aggregate of 206,512,150 Shares, representing 87.87% of the total number of issued Shares. The Offeror is thus very close to, and more precisely, approximately 2.13% short of the minimum acceptance level of 90% as at the Latest Practicable Date. In the event that the Offeror achieves the Acceptance Condition, it will be able to declare the Offer unconditional in all respects. Thereafter, the Offeror will be entitled to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act to acquire all the remaining Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

As at the Latest Practicable Date, the Offer has not been declared unconditional in all respects.

8.7.2 Likelihood of competing offers is remote

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Shares from any third party.

The likelihood of a competing offer from any third party is also remote given that the Offeror and parties acting in concert with it have already secured holdings of approximately 87.87% of the total

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

number of issued Shares.

8.7.3 Closing date of the Offer

The Offeror has stated that the Offer will close at 5.30 p.m. (Singapore time) on 2 October 2015 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared to be unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed, in order to give those Shareholders who have not accepted the Offer the opportunity to do so.

Shareholders should therefore take note of further announcements as may be made from time to time by or on behalf of the Offeror in respect of the Offer becoming unconditional and the final closing date of the Offer.

Further details on the duration of the Offer are set out in Section 2.5 of the Offer Document and paragraph 3.5 of this Letter.

8.7.4 Intention of the Offeror regarding listing status

Under Rule 723 of the Listing Manual, to maintain its listing status on the SGX-ST, the Company must ensure that at least 10% of the total issued Shares is at all times held by the public Shareholders ("**Free Float Requirement**"). Pursuant to Rule 724(1) of the Listing Manual, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares on the SGX-ST.

In addition, Under Rule 1105 of the Listing Manual, in the event the Offeror and parties acting in concert with the Offeror should, as a result of the Offer or otherwise, own or control more than 90% of the Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST at the close of the Offer.

As disclosed above, the Offeror and parties acting in concert with it have already secured holdings of approximately 87.87% of the total number of issued Shares. The Offeror is thus getting closer to achieving its stated intention to make the Company its wholly-owned subsidiary and delisting from the SGX-ST following the completion of the Offer.

8.7.5 Compulsory Acquisition

As mentioned in paragraph 8.7.1 above, pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of issued Shares (excluding any Shares held in treasury), the Shareholders who have not accepted the Offer will have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

8.7.6 Outlook of the Group in FY2015

As disclosed in the announcement dated 13 August 2015 in relation to the Group's HY2015 results,

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

the Company had stated the following:

“Second half of the financial year remains challenging for the Group due to expected slowdown in the economy of China and stiffer competition from other major global suppliers.

Barring any unforeseen circumstances, the Group is expected to remain profitable for the financial year ending 31 December 2015.”

8.7.7 Directors’ intentions with regard to their Shares

Pursuant to the Irrevocable Undertakings, the Executive Directors namely, Mr Zang Ligen, Mr Zang Liguu and Mr Zang Lizhong, have given their direct undertakings and/or consent to accept the Offer in respect of all their direct and/or indirect holdings of the Shares. They are parties acting in concert with the Offeror.

As disclosed in Section 4.9 in Appendix II to the Circular, the Independent Director, Mr Zhao Qinghua, who holds 1,250,250 Shares representing 0.53% of the total number of issued Shares, has expressed that he will accept the Offer in respect of all his holdings in the Shares.

9. OUR RECOMMENDATION TO THE INDEPENDENT DIRECTORS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment of the Offer:

- (a) Market quotation and trading activity of the Shares;
- (b) Financial performance of the Group;
- (c) NTA and revalued NTA of the Group;
- (d) Comparison with recently completed privatisation take-over offers of companies listed on the SGX-Mainboard and SGX-Catalist;
- (e) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;
- (f) Dividend track record of the Company; and
- (g) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.

Based on our analysis as summarised above and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that:

- (I) **the financial terms of the Offer, on balance, are not fair, in particular, as the Offer Price is at a deep discount of 41.9% to the revalued NTA per Share of the Group as at 30 June 2015;**
- (II) **Shareholders should note that as at the Latest Practicable Date, the Offeror and parties acting in concert with it have already secured holdings of approximately 87.87% of the total number of issued Shares. The Offeror is thus very close to achieving its 90% minimum acceptance level as the Acceptance Condition for the Offer. In the event that the Offer becomes unconditional in all respects, given the Offeror’s stated intentions to make the Company its wholly-owned subsidiary and to delist from the SGX-ST, the**

APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS OF THE COMPANY IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER

Offeror is likely to exercise its right of compulsory acquisition under Section 215(1) of the Companies Act to acquire all the remaining Shares from Shareholders who have not accepted the Offer by the close of the Offer. Such compulsory acquisition will be made at a price which is the same as the Offer Price; and

- (III) Given the above circumstance and in view of the fact that the Offer Price is at a significant premium above the historical traded price of the Shares over the last one year prior to the Offer Announcement Date, we are of the view that the Offer Price is not fair but is reasonable.

Accordingly, we advise the Independent Directors to recommend Shareholders to **ACCEPT** the Offer and for Shareholders who wish to realise their Shares, to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after deducting related expenses).

In rendering the above advice, we have not given regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Shareholder. As each individual Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer, as the case may be.

Our recommendation is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Offer, as the case may be, and may not be used or relied on for any other purposes (other than for the purpose of the Offer) without the prior written consent of Provenance Capital. The recommendation to be made by the Independent Directors to Shareholders in respect of the Offer, as the case may be, shall remain the sole responsibility of the Independent Directors.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

Terence Lim
Director

APPENDIX II – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The name, addresses and appointments of the Directors at the Latest Practicable Date are set out below:

Name	Address	Designation
Mr. Zang Ligen	Suite 502, Unit 1 #7 Building, The 5th Group Building Xiulan City Garden, Baoding City, Hebei Province, People's Republic of China	Executive Chairman
Mr. Zang Lizhong	Suite 501, Unit 2 #7 Building, The 5th Group Building Xiulan City Garden, Baoding City, Hebei Province, People's Republic of China	Executive Director
Mr. Zang Ligu	Suite 501, Unit 1 #7 Building, The 5th Group Building Xiulan City Garden, Baoding City, Hebei Province, People's Republic of China	Executive Director
Mr. See Yen Tarn	7 Princess of Wales Road Singapore 266905	Lead Independent Director
Mr. Chua Hung Meng	32 Ah Hood Road, #14-02 Nadia Mansions Singapore 329977	Independent Director
Mr. Zhao Qinghua	3-5-401, Qianwei Road, Beishi District, Baoding City, Hebei Province, People's Republic of China	Independent Director

2. HISTORY AND PRINCIPAL ACTIVITIES

The Company is a public limited company incorporated in Singapore and is listed on the Mainboard of the SGX-ST. The principal business activities of the Company are in the designing, manufacturing, and sale of aluminum alloy wheels.

3. SHARE CAPITAL

3.1 Issued Share Capital

The issued and paid-up share capital of the Company as at the Latest Practicable Date is S\$29,287,491.57 comprising 235,025,550 Shares.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

3.2 Capital, Dividends and Voting Rights

The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles, which are available for inspection at the Company's registered office at 80 Raffles Place #32-01, UOB Plaza 1, Singapore 048624. The relevant provisions in the Articles relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted and reproduced in Appendix IV to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Articles and/or the Companies Act.

3.3 Number of Shares Issued since the End of the Last Financial Year

As at the Latest Practicable Date, no new Shares have been issued since the end of FY2014, being the last financial year of the Company.

3.4 Options and Convertible Instruments

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, the Shares.

4. DISCLOSURE OF INTERESTS

4.1. Interests of the Company in Offeror Securities

The Company does not have any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

4.2. Dealings in Offeror Securities by the Company

The Company has not dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.3. Interests of the Directors in Offeror Securities

Save as disclosed below, none of the Directors has any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date:

Messrs Zang Ligen, Zang Lizhong and Zang Liguu together with seven (7) individuals⁽¹⁾ are shareholders of Tianjin Dong An Brothers Ltd. ("TDAB") with the shareholdings as set out below. TDAB is the sole shareholder of the Offeror.

TDAB Shareholders	Shareholding Percentage (%)
Directors of the Company	
Mr. Zang Liguu	15.3%
Mr. Zang Lizhong	3.3%
Mr. Zang Ligen	3.2%
Others	
Mr. Zang Yongxing	15.2%
Ms. Zang Na	15.0%
Mr. Zang Yongjian	15.0%
Ms. Zang Yakun	15.0%
Mr. Zang Yongyi	6.0%
Mr. Zang Yonghe	6.0%
Ms. Zang Jieaixin	6.0%
Total	100%

APPENDIX II – ADDITIONAL GENERAL INFORMATION

Note:

- (1) Mr. Zang Ligen, Mr. Zang Lizhong and Mr. Zang Liguu are brothers. Mr. Zang Yongxing is the son and Ms. Zang Na is the daughter of Mr. Zang Ligen. Mr. Zang Yongjian is the son and Ms. Zang Yakun is the daughter of Mr. Zang Lizhong. Mr. Zang Yongyi and Mr. Zang Yonghe are the sons and Ms. Zang Jieixin is the daughter of Mr. Zang Liguu.

4.4. Dealings in Offeror Securities by the Directors

None of the Directors has dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

4.5. Interest of the Directors in Company Securities

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any direct or deemed interests in the Company Securities:

Name	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Zang Ligen	3,277,405	1.1	–	–
Zang Liguu	–	–	150,956,250 ⁽¹⁾	64.23 ⁽¹⁾
Zhao Qinghua	1,250,250	0.5	–	–

Note:

- (1) Zang Liguu holds 23.3% shareholdings in the issued and paid-up share capital of Li Zhong Investment Ltd. Accordingly, he is deemed interested in the 150,956,250 shares held by Li Zhong Investment Ltd. in the Company.

4.6. Dealings in Company Securities by the Directors

As at the Latest Practicable Date, save as disclosed below, none of the Directors has dealt for value in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

Director	Number of Company Securities dealt for value	Date
Zang Ligen	219,505	28 April 2015
Zang Ligen	61,300	13 May 2015
Zang Ligen	350,000	15 May 2015

4.7. Company Securities owned or controlled by the IFA

The IFA does not have any direct or indirect interest in the Company Securities as at the Latest Practicable Date.

4.8. Dealings in Company Securities by the IFA

The IFA, its related corporation had not dealt for value in any Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and on the Latest Practicable Date.

4.9. Intentions of the Directors in respect of their Shares

- 4.9.1** Mr. Zang Ligen, who holds 3,277,405 Shares (representing approximately 1.39% of the total number of the issued Shares), has executed an irrevocable undertaking (the "**ZLG Irrevocable Undertaking**") in favour of the Offeror to, *inter alia*, accept, or procure the acceptance of, the Offer in respect of (a) all the Shares held by him as at the date of the ZLG Irrevocable Undertaking, and (b) any other Shares which he may acquire, or which may be issued or allotted to him, on or after the date of the ZLG Irrevocable Undertaking, in return for the Offer Price.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

4.9.2 Mr. Zhao Qinghua, an Independent Director for the purpose of the Offer, recommends the Shareholders to accept the Offer if they are unable to obtain a price higher than the Offer Price (net of related expenses) in the open market. Accordingly, he has expressed that he will accept the Offer in respect of (a) all the Shares held by him as at the date of this Circular, and (b), any other Shares which he may acquire, or which may be issued or allotted to him, on or after the date of this Circular, in return for the Offer Price.

5. OTHER DISCLOSURES

5.1 Directors' service contracts

As at the Latest Practicable Date:

- (a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and
- (b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.2 Arrangements affecting Directors

- (a) As at the Latest Practicable Date, it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer.
- (b) Pursuant to the Irrevocable Undertakings set out in section 4 of this Circular, Mr Zang Ligen has undertaken to accept the Offer in respect of the Shares owned by himself respectively prior to and up to the Closing Date. Save for the above, as at the Latest Practicable Date, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer.
- (c) As at the Latest Practicable Date, none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

6. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor its subsidiaries has entered into material contracts with persons who are Interested Persons (other than those entered into in the ordinary course of business) during the period beginning three (3) years before the Offer Announcement Date.

The Company had entered into an entrustment loan agreement dated 14 May 2015 ("**Entrustment Loan Agreement**") with Ms Zang YaKun ("**Lender**") and China Everbright Bank (Shijiazhuang) ("**Entrustment Bank**"), who is the daughter of Zang Lizhong, an executive director of the Company pursuant to which a disbursement of a loan amounting to RMB38,000,000 (the "**Loan**") will be provided to the Company. Pursuant to the Note on Rule 23.12 of the Code, she is an Interested Person. The following are salient terms of the Entrustment Loan Agreement:

6.1 Purpose of the Loan:

The Loan provided shall be used by the Company for the purchase of raw materials only.

6.2 Amount and Term of Loan:

The amount of the Loan provided is RMB38,000,000 and the term of the Loan provided is from 15 May 2015 to 14 November 2015.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

6.3 Interest on the Loan:

- 6.3.1** The interest per annum in respect of the Loan shall be 5.1% (“**Interest**”) and such Interest shall be calculated on a quarterly basis and the payment of the Interest by the Company shall be on the 20th day of the last month of each quarter.
- 6.3.2** The Interest in respect of the Loan shall be calculated on the basis of 360 days in accordance to the actual utilization amount and days from the drawdown date.
- 6.3.3** In the event that the Company fails to repay the principal of the Loan in accordance with the provisions of the Entrustment Loan Agreement, the Company shall pay the interest based on the overdue penalty interest rate from the due date till the date when the Company fully repays all the principals and interests of the loan and the overdue penalty interest rate shall be 30% over the interest rate in respect of the Loan as set out under 6.3.1 (“**Penalty Interest Rate**”).

In the event that the Company fails to utilize the Loan in accordance with the purpose as provided hereunder, the Company shall pay the interests based on the misappropriation penalty interest rate from the misappropriation date till the date when the Company fully repays all the principals and interests of the loan and the misappropriation penalty interest rate shall be 50% over the interest rate in respect of the Loan as set out under 6.3.1.

- 6.3.4** In the event that the Company fails to pay off the Interest on time, the Entrustment Bank shall be entitled to collect the compound interests based on the Penalty Interest Rate.

6.4 Repayment of the Loan:

The Company shall repay all the principal and interests in respect of the Loan in a lump sum prior to 14 November 2015.

6.5 Representations, Warranties and Undertakings of the Company

The Company shall make the following representations and warranties to the Lender and the Entrustment Bank:

The Company has obtained all approval and third party's consent required for the execution of the Entrustment Loan Agreement and the execution and performance of the Entrustment Loan Agreement will not violate any constitutional documents/approvals (if any) of the Company and any other contracts or agreements under which the Company is a contractual party.

The Company shall make the following undertakings to the Lender and Entrustment Bank:

- (a) In the event that the Company, prior to the full repayment of all the debts under the Entrustment Loan Agreement, engages in any contractors' leasing, change into companies limited by shares, partnership, merger, acquisition, equity joint venture, division, asset transfer, application of suspension, dissolution, bankruptcy and any other activities which may change the creditor's rights and debt relationships provided hereunder or may affect the rights and interests of the Lender and the Entrustment Bank, it shall serve thirty (30) working days written notice to the Lender and the Entrustment Bank and obtain the written consent of the Lender and the Company shall not engage in any of the abovementioned activities without finalising the repayment arrangement or making full repayment in advance.
- (b) During the validity period of the Entrustment Loan Agreement, the Company shall not undertake debts or provide guarantees for any other legal persons, organizations or individuals and shall not set mortgage or pledge on the assets and interests of the Company which may impact the capabilities of the Company to repay the borrowings hereunder.

6.6 Miscellaneous

Without the prior written consent of the Lender, the Company shall not assign or otherwise dispose of all or part of its obligations hereunder.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

7. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor its subsidiaries are engaged in any material litigation, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole. The Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

8. FINANCIAL INFORMATION

8.1 Consolidated Statements of Comprehensive Income

The audited consolidated statements of comprehensive income for the last three (3) financial years (FY2012, FY2013 and FY2014) and the unaudited consolidated statement of comprehensive income for the second quarter and half year ended 30 June 2015 are summarised below. The summary set out below should be read together with the annual reports, the audited consolidated financial statements for the relevant financial periods, the Company's announcement dated 13 August 2015 on the unaudited consolidated financial statements for 2Q 2015 Results Announcement and its accompanying notes. Copies of all of the above are available for inspection at the registered address of the Company at 80 Raffles Place #32-01, UOB Plaza 1, Singapore 048624 during normal business hours for the period during which the Offer remains open for acceptance.

	Unaudited second quarter and half year ended 30 June 2015	Audited FY2014	Audited FY2013	Audited FY2012
	RMB'000	RMB'000	RMB'000	RMB'000
Sales	1,649,657	2,909,666	2,695,234	2,355,261
Cost of sales	(1,378,124)	(2,429,480)	(2,336,542)	(2,079,181)
Gross profit	271,533	480,186	358,692	276,080
Other income	8,088	28,291	31,699	17,344
Other gains/(losses) – net				
– Fair value gains on investment properties	–	–	–	–
– Others	8,088	28,291	31,699	17,344
Expenses				
– Administrative	(120,757)	(233,771)	(171,499)	(130,140)
– Distribution	(60,749)	(108,769)	(89,198)	(60,947)
– Other operating	(2,805)	(2,454)	(8,084)	(4,208)
– Finance	(27,597)	(48,002)	(34,914)	(37,624)
Share of profits/(losses) of associated companies, net of tax	–	–	–	(3,365)
Share of profits of joint ventures, net of tax	–	–	(101)	(1,094)

APPENDIX II – ADDITIONAL GENERAL INFORMATION

	Unaudited second quarter and half year ended 30 June 2015	Audited FY2014	Audited FY2013	Audited FY2012
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	67,713	115,481	86,595	56,046
Income tax expense	(11,824)	(24,689)	(12,712)	(4,437)
Total profit	55,889	90,792	73,883	51,609
Other comprehensive income/ (losses):				
Items that may be reclassified subsequently to profit or loss:				
Available-for-sale financial assets				
– Fair value gains/(losses)	11,103	(13,650)	9,428	(37)
Cash flow hedges				
– Fair value gains/(losses)	–	–	–	–
– Reclassification	–	–	–	–
Currency translation differences arising from consolidation				
– Losses	(69)	2,626	(2,734)	1,719
– Reclassification	–	–	–	–
Other comprehensive income/ (losses), net of tax	11,034	(11,024)	6,694	1,682
Total comprehensive income	66,923	79,768	80,577	53,291
Profit/(loss) attributable to:				
Equity holders of the Company	56,416	87,915	70,294	46,307
Non-controlling interests	(527)	2,877	3,589	5,302
	55,889	90,792	73,883	51,609
Total comprehensive income attributable to:				
Equity holders of the Company	67,450	76,891	76,988	47,989
Non-controlling interests	(527)	2,877	3,589	5,302
	66,923	79,768	80,577	53,291
Earnings per share attributable to equityholders of the Company				
– Basic (cents)	24.00	37.41	29.91	19.70
– Diluted (cents)	24.00	37.41	29.91	19.70

APPENDIX II – ADDITIONAL GENERAL INFORMATION

8.2 Consolidated Balance Sheet

The audited consolidated balance sheet as at 31 December 2014 and the unaudited consolidated balance sheet as at 30 June 2015 are summarised below (“**Summary**”). The Summary set out below should be read together with the annual report for FY2014, the audited consolidated financial statements for FY2014, the 2Q 2015 Results Announcement and its accompanying notes. Copies of all of the above are available for inspection at the registered address of the Company at 80 Raffles Place #32-01, UOB Plaza 1, Singapore 048624 during normal business hours for the period during which the Offer remains open for acceptance.

	Unaudited as at 30 June 2015 (RMB'000)	Audited as at 31 December 2014 (RMB'000)
ASSETS		
Current Assets		
Cash and bank balances	400,477	302,282
Trade and other receivables	1,318,969	1,209,309
Tax recoverable	—	—
Inventories at cost	533,220	462,824
Other current assets	7,097	13
Trading properties	—	—
Properties under development	—	—
	2,259,763	1,974,428
Non-current Assets		
Trade and other receivables	—	—
Financial assets, available-for-sale	—	—
Derivative financial instruments	—	—
Investments in associated companies	—	—
Investments in joint ventures	—	—
Investment properties	—	—
Properties, plant and equipment	906,006	835,336
Other non-current assets	180,023	128,509
Deferred income tax assets	1,262	1,262
	1,087,291	965,107
Total Assets	3,347,054	2,939,535
LIABILITIES		
Current Liabilities		
Trade and other payables	1,119,650	912,194
Borrowings	814,697	731,272
Derivative financial instruments	642	22
Current income tax liabilities	6,134	3,780
	1,941,123	1,647,268

APPENDIX II – ADDITIONAL GENERAL INFORMATION

	Unaudited as at 30 June 2015 (RMB'000)	Audited as at 31 December 2014 (RMB'000)
Non-current Liabilities		
Borrowings	424,889	415,109
Deferred income tax liabilities	15,685	13,004
Other long term liabilities	5,536	3,256
	446,110	431,369
Total Liabilities	2,387,233	2,078,637
NET ASSETS	959,821	860,898
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	140,500	140,500
Other reserves	93,330	67,105
Retained profits	650,192	608,967
	884,022	816,572
Non-controlling interests	75,799	44,326
Total Equity	959,821	860,898

8.3 Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in the notes to the audited consolidated financial statements for FY2014 and the unaudited consolidated financial statements for the second quarter and half year ended 30 June 2015. Copies of the above are available for inspection at the registered address of the Company at 80 Raffles Place #32-01, UOB Plaza 1, Singapore 048624 during normal business hours for the period during which the Offer remains open for acceptance.

Save as disclosed above and in the notes to the audited consolidated financial statements for FY2014 and the unaudited consolidated financial statements for the second quarter and half year ended 30 June 2015:

- (a) there were no significant accounting policies or any matter from the notes of the financial statements of the Company which are of any major relevance for the interpretation of the financial statements of the Company; and
- (b) as at the Latest Practicable Date, there is no change in the accounting policy of the Company which will cause the figures disclosed in this Circular not to be comparable to a material extent.

8.4 Material Changes in Financial Position

Save as disclosed in publicly available information on the Group (including but not limited to the unaudited consolidated financial statements for the second quarter and half year ended 30 June 2015 and its accompanying notes annexed as Appendix III to this Circular and the announcement dated 14 August 2015 on the explosion at a warehouse in the Tianjin Binhai New Area), as at the Latest Practicable Date, there has been no known material change in the financial position of the Company since 31 December 2014, being the date of the Company's last published audited financial statements.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

8.5 Material Change in Information

Save as disclosed in this Circular and save for the information relating to the Company and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

8.6 Statement of Prospects

The following statement set out in italics below (the “**Statement of Prospects**”) was made in the 2Q 2015 Results Announcement⁽¹⁾:

2Q 2015 Results Announcement:

Paragraph 9:

“As disclosed in the Company’s Quarterly Financial Results announcement dated 29 April 2015 (the “29 April 2015 Announcement”), the Group expected FY2015 to be a profitable year, and the Group’s performance for Q2 2015 is in line with the statement set out in Paragraph 10 of the 29 April 2015 Announcement.

Paragraph 10:

“Second half of the financial year remains challenging for the Group due to expected slowdown in the economy of China and stiffer competition from other major global suppliers. Barring any unforeseen circumstances, the Group is expected to remain profitable for the financial year ending 31 December 2015.”

Note:

- (1) The Statement of Prospects should be read in conjunction with Paragraph 10 of the Full Yearly Results Announcement dated 27 February 2015 and Paragraph 9 and 10 of the 1Q 2015 Results Announcement dated 29 April 2015.

Shareholders should note that the Directors have set out in Appendix V to this Circular, the bases and assumptions for the Statement of Prospects. Deloitte and the IFA have each issued a letter in relation to the Statement of Prospects, which are set out in Appendices VI and VII to this Circular respectively. Shareholders are urged to read Appendices V, VI and VII to this Circular carefully.

8.7 Valuation of the Properties

The Company has commissioned independent valuations of certain properties (“**Properties**”) of the Group. The extracts of the valuation reports are set out in Appendix VIII to this Circular. Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the Properties, which are subject of a valuation given in connection with an offer, were to be sold at the amount of valuation. Based on information provided to the Company by the respective Valuers, the potential tax liabilities that may be incurred by the Company on the hypothetical disposal of the Properties is approximately RMB20.5 million. The aforesaid tax liabilities will not crystallise if the Company does not dispose of its interests in the Properties. As at the Latest Practicable Date, the Company has no plans to dispose of its interests in the Properties, and as such, the aforesaid tax liabilities are not likely to crystallise.

9. GENERAL

- 9.1 All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

- 9.2** The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its advice to the Independent Directors set out in section 8.2 of this Circular, the IFA Letter set out in Appendix I to this Circular, the letter in relation to the Statement of Prospects set out in Appendix VII to this Circular and all references thereto, in the form and context in which they appear in this Circular.
- 9.3** Deloitte has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, the letter in relation to the Statement of Prospects set out in Appendix VI to this Circular and all references thereto, in the form and context in which they appear in this Circular.
- 9.4** Baoding Dayan Assets Evaluation Co., Ltd. has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, the valuation report as set out in Appendix VIII to this Circular and all references thereto, in the form and context in which they appear in this Circular.
- 9.5** Siam Appraisal and Services Co., Ltd. has given and has not withdrawn its consent to the issue of this Circular with the inclusion of its name in this Circular, the valuation report as set out in Appendix VIII to this Circular and all references thereto, in the form and context in which they appear in this Circular.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered address of the Company at 80 Raffles Place #32-01, UOB Plaza 1, Singapore 048624 during normal business hours for the period during which the Offer remain open for acceptance:

- (a) the memorandum of association of the Company;
- (b) the Articles;
- (c) the annual reports of the Company for FY2012, FY2013 and FY2014;
- (d) the unaudited consolidated financial statements of the Group for the second quarter and half year ended 30 June 2015 and its accompanying notes;
- (e) the IFA Letter as set out in Appendix I to this Circular;
- (f) the Statement of Prospects, the letters from Deloitte and the IFA respectively in relation to the Statement of Prospects, as set out in Appendices V, VI and VII to this Circular respectively;
- (g) the valuation reports from the Valuers in respect of the Properties including without limitation those set out in Appendix VIII to this Circular; and
- (h) the letters of consent referred to in paragraphs 9.2, 9.3 and 9.4 to this Appendix II above.

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

LIZHONG WHEEL GROUP LTD.

(Company Registration Number 200407196C)

(Incorporated in Singapore)

(the “Company”)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 months ended			6 months ended		
	Group 01/04/15- 30/06/15 RMB'000	Group 01/04/14- 30/06/14 RMB'000	Incr/ (Decr) %	Group 01/01/15- 30/06/15 RMB'000	Group 01/01/14- 30/06/14 RMB'000	Incr/ (Decr) %
Revenue	808,192	701,510	15.2	1,649,657	1,363,587	21.0
Cost of sales	(676,178)	(577,918)	17.0	(1,378,124)	(1,130,564)	21.9
Gross profit	132,014	123,592	6.8	271,533	233,023	16.5
Other operating income	7,170	7,931	(9.6)	8,088	8,430	(4.1)
Distribution costs	(28,773)	(25,757)	11.7	(60,749)	(51,574)	17.8
Administrative expenses	(57,997)	(59,752)	(2.9)	(120,757)	(110,951)	8.8
Other operating expenses	(560)	(184)	204.3	(2,805)	(6,705)	(58.2)
Finance costs (interest expense)	(14,055)	(11,731)	19.8	(27,597)	(22,656)	21.8
Profit before income tax	37,799	34,099	10.9	67,713	49,567	36.6
Income tax expense	(7,189)	(7,723)	(6.9)	(11,824)	(9,951)	18.8
Profit for the period	30,610	26,376	16.1	55,889	39,616	41.1
Other comprehensive income for the period, net of tax:						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations	106	(190)	NM	(69)	2,510	NM
Fair value gain (loss) on derivative financial instruments	5,188	1,681	208.6	11,103	(8,107)	NM
Total comprehensive income for the period, net of tax	35,904	27,867	28.8	66,923	34,019	96.7
Profit for the period attributable to:						
Owners of the Company	31,754	25,662	23.7	56,416	38,139	47.9
Non-controlling interests	(1,144)	714	NM	(527)	1,477	NM
	30,610	26,376	16.1	55,889	39,616	41.1
Total comprehensive income for the period attributable to:						
Owners of the Company	37,048	27,153	36.4	67,450	32,542	107.3
Non-controlling interests	(1,144)	714	NM	(527)	1,477	NM
	35,904	27,867	28.8	66,923	34,019	96.7

NM – Not meaningful

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 2 of 14

Profit before income tax is derived after charging/(crediting) the following:

	Group 01/04/15- 30/06/15 RMB'000	Group 01/04/14- 30/06/14 RMB'000	Group 01/01/15- 30/06/15 RMB'000	Group 01/01/14- 30/06/14 RMB'000
Government grants income	(3,682)	(2,398)	(5,610)	(5,629)
Interest income	(1,363)	(1,520)	(2,439)	(2,792)
Interest expense	14,055	11,731	27,597	22,656
Depreciation and amortization	27,520	22,026	52,832	43,702
Inventories written off	687	387	1,050	803
Allowance for doubtful debts	248	25	2,158	111
Net foreign exchange (gain)loss	(2,114)	(4,014)	275	6,403
Research expenses	35,136	36,023	72,495	68,845
(Gain)Loss from the settlement of derivative financial instruments	(405)	(202)	(286)	(442)
Loss (Gain) from change in fair value of derivative instruments	4,329	(80)	2,749	(179)
Loss on disposal of property, plant and equipment	55	158	91	258

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 3 of 14

1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group 30/06/2015 RMB'000	Group 31/12/2014 RMB'000	Company 30/06/2015 RMB'000	Company 31/12/2014 RMB'000
Current assets				
Cash and Cash equivalents	261,288	150,321	5,524	6,212
Pledged bank deposits	139,189	151,961	-	-
Trade receivables	1,135,707	1,010,250	-	-
Other receivables and prepayments	183,262	199,059	-	-
Amount due from subsidiaries	-	-	8,776	5,878
Loans to subsidiaries	-	-	93,006	93,060
Derivative financial instruments	7,097	13	-	-
Inventories	533,220	462,824	-	-
Total current assets	2,259,763	1,974,428	107,306	105,150
Non-current assets				
Investment in subsidiaries	-	-	553,016	553,016
Loans to subsidiaries	-	-	162,791	209,426
Prepaid lease payments	119,907	73,570	-	-
Prepayment	47,366	41,339	-	-
Property, plant and equipment	906,006	835,336	-	-
Intangible assets	12,750	13,600	-	-
Deferred tax asset	1,262	1,262	-	-
Total non-current assets	1,087,291	965,107	715,807	762,442
Total assets	3,347,054	2,939,535	823,113	867,592
Liabilities and equity				
Current liabilities				
Short-term bank loans	695,649	608,155	-	-
Current portion of long-term loans	119,048	123,117	93,006	93,060
Trade payables	939,782	742,975	-	-
Other payables	173,656	162,465	5,400	6,977
Income tax payable	6,134	3,780	-	-
Deferred income	6,212	6,754	-	-
Derivative financial instruments	642	22	642	-
Total current liabilities	1,941,123	1,647,268	99,048	100,037
Non-current liabilities				
Long-term loans	424,889	415,109	185,565	232,116
Deferred income	5,536	3,256	-	-
Deferred tax liabilities	15,685	13,004	-	-
Total non-current liabilities	446,110	431,369	185,565	232,116
Total liabilities	2,387,233	2,078,637	284,613	332,153
Capital, reserves and non-controlling interests				
Share capital	140,500	140,500	140,500	140,500
Hedging reserve	7,841	(3,262)	-	-
Capital reserve	88,485	73,294	-	-
Translation reserve	(4,173)	(4,104)	-	-
Other reserve	1,177	1,177	-	-
Retained earnings	650,192	608,967	398,000	394,939
Equity attributable to owners of the Company	884,022	816,572	538,500	535,439
Non-controlling interests	75,799	44,326	-	-
Total equity	959,821	860,898	538,500	535,439
Total liabilities and equity	3,347,054	2,939,535	823,113	867,592

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 4 of 14

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 Jun 2015		As at 31 Dec 2014	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
776,697	38,000	701,272	30,000

Amount repayable after one year

As at 30 Jun 2015		As at 31 Dec 2014	
Secured (RMB'000)	Unsecured (RMB'000)	Secured (RMB'000)	Unsecured (RMB'000)
424,889	-	415,109	-

Details of any collateral

In 2015:

- (i) RMB686.7 million of bank loans is secured by corporate guarantees issued by either the Company or its subsidiaries.
- (ii) RMB34.3 million of export invoice financing is secured by a subsidiary's trade receivables.
- (iii) RMB202.0 million of bank loans is secured by property, plant and equipment of New Thai Wheel Manufacturing Co., Ltd.
- (iv) RMB278.6 million bank loans are secured by pledged cash, the Group's shareholdings in Tianjin Lizhong Wheel Limited Co.,Ltd and pledged shares of Lizhong Wheel Group Ltd. held by Li Zhong Investment Limited.
- (v) Bills payables and letter of credit facilities are secured by pledged cash placed with banks.

In 2014:

- (i) RMB536.9 million of bank loans is secured by corporate guarantees issued by either the Company or its subsidiaries.
- (ii) RMB20.0 million of export order financing is secured by a subsidiary's orders in hand.
- (iii) RMB48.7 million of export invoice financing is secured by a subsidiary's trade receivables.
- (iv) RMB181.6 million of bank loans is secured by property, plant and equipment of New Thai Wheel Manufacturing Co., Ltd.
- (v) RMB4.0 million bank loan is secured by land and buildings of HT&L Fitting (Changsha) Co., Ltd.
- (vi) RMB325.2 million of bank loan is secured by pledged cash, the Group's shareholdings in Tianjin Lizhong Wheel Limited Co.,Ltd and pledged shares of Lizhong Wheel Group Ltd. held by Li Zhong Investment Limited.
- (vii) Bills payables and letter of credit facilities are secured by pledged cash placed with banks.

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 5 of 14

1(c) A statement of cash flow (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 01/04/15- 30/06/15 RMB'000	Group 01/04/14- 30/06/14 RMB'000	Group 01/01/15- 30/06/15 RMB'000	Group 01/01/14- 30/06/14 RMB'000
Operating activities:				
Profit before income tax	37,799	34,099	67,713	49,567
Adjustments for:				
Foreign exchange loss (gain)	265	(840)	(162)	8,910
Depreciation for property, plant and equipment	26,560	21,083	51,003	41,817
Interest income	(1,363)	(1,520)	(2,439)	(2,792)
Notional income on interest-free government loans	(1,684)	(1,484)	(3,349)	(3,094)
Interest expense	14,055	11,731	27,597	22,656
Inventories written off	687	387	1,050	803
Amortization of intangible assets	425	502	850	1,003
Allowance for doubtful debts	248	25	2,158	111
Loss on disposal of property, plant and equipment	55	158	91	258
Prepaid lease payments released to the profit and loss statement	535	441	979	882
Fair value loss (gain) on derivative instrument	4,329	(80)	2,749	(179)
(Gain) Loss from the settlement of derivative financial instruments	(405)	(202)	(286)	(442)
Operating cash flows before movements in working Capital	81,506	64,300	147,954	119,500
Trade receivables	13,121	(1,538)	(89,945)	85,752
Other receivables and prepayments	876	(56,651)	21,705	(88,443)
Inventories	(66,586)	(59,905)	(54,214)	(77,371)
Trade payables	32,441	76,043	163,296	42,068
Other payables	(62,841)	17,233	(57,118)	15,370
Cash generated from operations	(1,483)	39,482	131,678	96,876
Interest received	551	780	823	1,176
Income tax paid	(3,214)	(3,391)	(9,085)	(7,495)
Net cash (used in) from operating activities	(4,146)	36,871	123,416	90,557
Investing activities:				
Proceeds from disposal of property, plant and equipment	48	249	50	304
Purchase of property, plant and equipment	(21,672)	(18,439)	(53,365)	(127,590)
Acquisition of a subsidiary	(48,000)	-	(48,000)	-
Cash of a new subsidiary at the date of acquisition	7,951	-	7,951	-
Net cash used in investing activities	(61,673)	(18,190)	(93,364)	(127,286)
Financing activities:				
Interest paid	(9,740)	(8,330)	(25,331)	(23,547)
Dividend paid	-	(701)	-	(701)
Pledged bank deposits	8,112	(2,250)	12,772	(17,564)
New bank loans raised	306,244	122,140	590,328	430,851
Repayments of borrowings	(220,878)	(103,082)	(496,850)	(286,800)
Net cash from financing activities	83,738	7,777	80,919	102,239
Net increase in cash and cash equivalents	17,919	26,458	110,971	65,510
Cash and cash equivalents at beginning of period	243,364	176,152	150,321	136,988
Effects of exchange rate changes on the balance of cash held in foreign currency	5	(35)	(4)	77
Cash and cash equivalents at end of period	261,288	202,575	261,288	202,575

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 6 of 14

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group (RMB'000)	Share capital	Hedging reserve	Capital reserve	Translation reserve	Other reserve	Retained earnings	Attributable to owners of the company	Non-controlling interests	Total
Balance at 1 January 2014	140,500	10,388	56,919	(6,730)	1,177	537,427	739,681	55,053	794,734
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	38,139	38,139	1,477	39,616
Other comprehensive income for the period	-	(8,107)	-	2,510	-	-	(5,597)	-	(5,597)
Total	-	(8,107)	-	2,510	-	38,139	32,542	1,477	34,019
Dividends payable to non-controlling shareholder	-	-	-	-	-	-	-	(1,151)	(1,151)
Appropriation to capital reserve	-	-	11,719	-	-	(11,719)	-	-	-
Total	-	-	11,719	-	-	(11,719)	-	(1,151)	(1,151)
Balance at 30 June 2014	140,500	2,281	68,638	(4,220)	1,177	563,847	772,223	55,379	827,602
Group (RMB'000)									
Balance at 1 January 2015	140,500	(3,262)	73,294	(4,104)	1,177	608,967	816,572	44,326	860,898
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	56,416	56,416	(527)	55,889
Other comprehensive income for the period	-	11,103	-	(69)	-	-	11,034	-	11,034
Total	-	11,103	-	(69)	-	56,416	67,450	(527)	66,923
Non-controlling interests in a newly acquired subsidiary	-	-	-	-	-	-	-	32,000	32,000
Appropriation to capital reserve	-	-	15,191	-	-	(15,191)	-	-	-
Total	-	-	15,191	-	-	(15,191)	-	32,000	32,000
Balance at 30 June 2015	140,500	7,841	88,485	(4,173)	1,177	650,192	884,022	75,799	959,821

Company (RMB'000)	Share Capital	Accumulated Profits	Total
Balance at 1 January 2014	140,500	381,470	521,970
Total comprehensive income for the period	-	3,971	3,971
Balance at 30 June 2014	140,500	385,441	525,941
Company (RMB'000)			
Balance at 1 January 2015	140,500	394,939	535,439
Total comprehensive income for the period	-	3,061	3,061
Balance at 30 June 2015	140,500	398,000	538,500

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 7 of 14

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since 31 March 2015. As at 30 June 2014 and 30 June 2015, there were no shares that may be issued on conversion of all the outstanding convertibles and the Company does not hold any treasury shares. As at 30 June 2015, the share capital was RMB140,500,000 (S\$29,287,492), comprising 235,025,550 ordinary shares.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Number of shares	
Issued and paid-up share capital as at 31.12.14	235,025,550
Issued and paid-up share capital as at 30.06.15	235,025,550

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company has no treasury shares.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation as in the consolidated financial statements of the Group for FY2014. The Group has also adopted the new Financial Reporting Standards that are relevant to its operations and effective for annual periods beginning on or after 1 January 2015, which has no material effect on the financial statements.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 8 of 14

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per ordinary share of the Group for the financial period based on profit attributable to equity holders of the Company:

	Group 01/01/15- 30/06/15	Group 01/01/14- 30/06/14
(i) based on the weighted average number of shares (RMB cents)	24.00	16.23
Weighted average number of shares	235,025,550	235,025,550
(ii) on a fully diluted basis (RMB cents)	24.00	16.23
Adjusted weighted average number of shares	235,025,550	235,025,550

7. Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As At 30/06/2015	As At 31/12/2014	As At 30/06/2015	As At 31/12/2014
Net asset value per ordinary share (RMB)	3.76	3.47	2.29	2.28

Explanatory note:

The net asset value per ordinary share of the Group and the Company is calculated based on the issued share capital of the Company of 235,025,550 shares.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:
(a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Review of Performance for the half year ended 30 June 2014 ("HY2014") and the half year ended 30 June 2015 ("HY2015")

Revenue

Revenue increased by RMB286.1 million from RMB1,363.6 million for HY2014 to RMB1,649.7 million for the corresponding period this year. The increase was mainly due to increase in revenue from the overseas Original Equipment Manufacturer ("OEM") business segment of approximately RMB189.7 million and the domestic OEM business segment of approximately RMB139.2 million, which was partially offset by decrease in the overseas aftermarket business segment of approximately RMB72.0 million and the domestic aftermarket business segment of RMB3.5 million. The increase in revenue was mainly due to an increase in sales

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 9 of 14

volumes.

Depreciation and amortization increased by RMB9.1 million for HY2015 as a result of additional property, plant, and equipment for Tianjin and Thailand plant.

Gross profit

In the period under review, gross profit increased by 16.5% from RMB233.0 million in HY2014 to RMB271.5 million in HY2015.

Gross profit margin decreased by 0.6% to 16.5% in HY2015 as compared with the last corresponding period. It was mainly due to decline in domestic aftermarket gross margin.

Other operating income and other operating expenses

Other operating income decreased by RMB0.3 million for HY2015 as compared with the corresponding period last year was due to decrease in interest income.

Other operating expenses decreased by RMB3.9 million for HY2015 as compared with the corresponding period in 2014. This was mainly due to decrease in exchange loss of RMB6.1 million as a result of RMB depreciation against USD, partially offset by increase in allowance for doubtful of RMB2.3 million.

Distribution and administration costs

Distribution costs increased by RMB9.2 million for HY2015 as compared with the corresponding period last year were mainly due to increase in rental of RMB 3.6 million, agent commission of RMB2.0 million, delivery fee of RMB1.8 million and other miscellaneous expenses.

Administrative expenses increased by RMB9.8 million for HY2015 as compared with the corresponding period last year. This was due mainly to increase in research expenses of RMB3.6 million, staff related costs of RMB4.4 million and other miscellaneous expenses.

Finance costs

Finance costs increased by approximately RMB4.9 million to RMB27.6 million for HY2015 as compared with RMB22.7 million for the corresponding period last year. This was mainly due to increase in bank loans.

Income tax

Income tax expense increased by RMB1.8 million to RMB11.8 million for HY2015 as compared with RMB10.0 million for the corresponding period last year. The increase was mainly due to increase in profit before income tax, partially offset by tax relief of RMB 2.6 million.

Profit for the period

Profit for the period attributable to owners of the Company amounted to RMB56.4 million as compared with RMB38.1 million recorded last year.

Review of Performance for the second quarter ended 30 June 2014 ("Q2 2014") and the second quarter ended 30 June 2015("Q2 2015")

Revenue

Revenue increased by RMB106.7 million from RMB701.5 million in Q2 2014 to RMB808.2 million in Q2 2015. The increase was mainly due to increase in revenue from the domestic

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 10 of 14

Original Equipment Manufacturer (“OEM”) business segment of approximately RMB70.3 million and the overseas OEM business segment of approximately RMB64.6 million, which was partially offset by decrease in the overseas aftermarket business segment of approximately RMB47.2 million and the domestic aftermarket business segment of RMB2.3 million. The increase in revenue was mainly due to an increase in sales volumes.

Depreciation and amortization increased by RMB5.5 million in Q2 2015 as a result of additional property, plant, and equipment for Tianjin and Thailand plant.

Gross profit

Gross profit increased by RMB8.4 million from RMB123.6 million in Q2 2014 to RMB132.0 million in Q2 2015.

Gross profit margin decreased by 1.3% to 16.3% in Q2 2015 as compared with the last corresponding period. It was mainly due to decline in domestic aftermarket gross margin.

Other operating income and other operating expenses

Other operating income decreased by RMB0.8 million for Q2 2015 as compared with the corresponding period last year. This was largely due to decrease in exchange gain of RMB1.9 million as a result of RMB depreciation against USD, partially offset by increase of government grant income of RMB1.3 million.

Other operating expenses increased by RMB0.4 million for Q2 2015 as compared with the corresponding period in 2014 were mainly due to increase in allowance for doubtful of RMB0.4 million in Q2 2015.

Distribution and administration costs

Distribution costs increased by RMB3.0 million for Q2 2015 as compared with the corresponding period last year. This was mainly due to increase in rental of RMB 1.9 million and delivery fee of RMB1.5 million.

Administrative expenses decreased by RMB1.8 million for Q2 2015 as compared with the corresponding period last year. This was mainly due to decrease in research expenses of RMB0.9 million and other miscellaneous expenses.

Finance costs

Finance costs increased by approximately RMB2.4 million to RMB14.1 million in Q2 2015 as compared with RMB11.7 million for the corresponding period last year. The increase was mainly due to increase in bank loans.

Income tax

Income tax expense decreased by RMB0.5 million to RMB 7.2 million in Q2 2015 as compared with RMB7.7 million for the corresponding period last year. The main reason was mainly due to tax relief of RMB 2.4 million which was received in Q2 2015.

Profit for the period

Profit for the period attributable to owners of the Company amounted to RMB31.8 million for Q2 2015.

Statement of financial position

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 11 of 14

Trade receivables increased by RMB125.5 million as at 30 June 2015. The increase was in line with the increase in revenue.

Other receivables and prepayments decreased by RMB15.8 million as at 30 June 2015. This was mainly due to decrease in ocean freight receivable of RMB19.8 million.

Derivative financial instruments increased by RMB7.1 million as at 30 June 2015. This was mainly due to the fair value change of foreign currency forward contracts as a result of operating cash flow hedges.

Inventories increased by approximately RMB70.4 million to RMB533.2 million as at 30 June 2015 as compared with RMB462.8 million as at 31 December 2014. The increase was mainly due to increase in finished goods of RMB25.2 million and raw materials of RMB28.3 million.

Prepayments under non-current assets increased by RMB6.0 million as at 30 June 2015. This was mainly due to increase in prepayment for equipment.

Property, plant and equipment increased by approximately RMB70.7 million to RMB906.0 million as at 30 June 2015 compared with RMB835.3 million as at 31 December 2014. This was largely due to the increase of production equipment of RMB36.3 million and the acquisition of a subsidiary, which was partially offset by the depreciation of RMB51.0 million.

Short-term loans increased by RMB87.5 million as at 30 June 2015 to meet increased working capital requirement.

Trade payables increased by approximately RMB196.8 million to RMB939.8 million as at 30 June 2015 compared with RMB743.0 million as at 31 December 2014. This was mainly due to increase in purchases.

Other payables increased by RMB11.2 million as at 30 June 2015 were mainly due to accrued agent commission of RMB4.0 million, accrued delivery fee of RMB3.5 million and accrued rental of RMB2.0 million.

Current portion of long-term loans decreased by RMB4.1 million as at 30 June 2015, the main reason was that long-term loan of RMB59.5 million was reclassified into current portion of the long-term loans and loans of RMB63.6 million was repaid to banks.

Long-term loans increased by RMB9.8 million as at 30 June 2015, the main reason was that new long-term RMB69.3 million loans, partially offset by long-term loan of RMB59.5 million was reclassified into current portion of the long-term loans.

Cash Flow for the period ended 30 June 2015

Net cash from operating activities of RMB123.4 million was mainly due to the increase in business activities for the period ended 30 June 2015.

Net cash used in investing activities of RMB93.4 million was mainly for the purchase of new equipment in the Tianjin factory and acquiring a subsidiary.

Net cash from financing activities of RMB80.9 million was mainly due to increase in borrowings.

Cash Flow for the second quarter ended 30 June 2015

Net cash used in operating activities of RMB4.1 million was mainly due to the increase in business activities for the second quarter ended 30 June 2015.

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 12 of 14

Net cash used in investing activities of RMB61.7 million was mainly for the purchase of new equipment in the Tianjin factory and the acquisition of a subsidiary for the second quarter ended 30 June 2015.

Net cash from financing activities of RMB83.7 million was mainly due to increase in borrowings for the second quarter ended 30 June 2015.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

As disclosed in the Company's Quarterly Financial Results announcement dated 29 April 2015 (the "**29 April 2015 Announcement**"), the Group expected FY2015 to be a profitable year, and the Group's performance for Q2 2015 is in line with the statement set out in Paragraph 10 of the 29 April 2015 Announcement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

Second half of the financial year remains challenging for the Group due to expected slowdown in the economy of China and stiffer competition from other major global suppliers.

Barring any unforeseen circumstances, the Group is expected to remain profitable for the financial year ending 31 December 2015.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the second quarter ended 30 June 2015.

13. Aggregate value of interested persons transactions conducted pursuant to a shareholders' general mandate for the period from 1 January 2015 to 30 June 2015.

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual, the details of the aggregate value of interested person transactions conducted pursuant to a shareholders' general mandate are as follows:

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 13 of 14

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RMB'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (RMB'000)
Hebei Lizhong - Lease of properties and equipment - Purchase of aluminum alloy ingots - Supply of molten aluminum alloy - Processing and recycling of rejects and scraps - Purchase of auxiliary raw materials - Sales of scraps - Payment of staff social insurance premiums	- - - - - - - 552	496 36,094 156,577 7,021 2,252 4,782 -
Meilu Alloy - Lease agreement - Supply of molten aluminum alloy - Processing and recycling of rejects and scraps - Supply of water and electricity	- - - -	595 54,289 2,671 3,398
Tianjin Lizhong - Supply of molten aluminum alloy - Processing and recycling of rejects and scraps	- -	361,254 19,978
Lizhong Automotive - Procurement of sale agency Services	-	7,659

Notes:

Hebei Lizhong	:	Hebei Lizhong Nonferrous Metals Group Co., Ltd
Meilu Alloy	:	Qinhuangdao Development Zone Meilu Alloy Co., Ltd
Tianjin Lizhong	:	Tianjin Lizhong Alloy Group Co., Ltd
Baoding Anbaoneng	:	Baoding Anbaoneng Metallurgical Equipment Co.,Ltd
Lizhong Automotive	:	Lizhong Automotive North America LLC

Lizhong Automotive is a sale agent of our Group. On behalf of our Group, Lizhong Automotive sold wheels of RMB69.7 million in HY2015.

APPENDIX III – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2015

Page 14 of 14

The Shareholders' Mandate in respect of the aforesaid interested person transactions was effective on 29 April 2015.

We, Zang Ligen and See Yen Tarn, being two directors of the Company, do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the Q2 2015/ HY 2015 financial results to be materially false or misleading.

On behalf of the Board

Zang Ligen
Executive Chairman

See Yen Tarn
Independent Director

BY ORDER OF THE BOARD

Zang Ligen
Executive Chairman

13 August 2015

APPENDIX IV – EXTRACTS OF ARTICLES

(i) Rights of Shareholders in respect of Capital

ISSUE OF SHARES

4.

- (A) *Subject to these Articles, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot (with or without conferring a right of renunciation) or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that no shares shall be issued at a discount or options granted over unissued shares except in accordance with the Act and the Designated Stock Exchange's listing rules.*
- (B) *The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.*
- (C) *Except so far as otherwise provided by the conditions of issue or by these Articles, all new shares shall be issued subject to the provisions of the Statutes and of these Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.*

5.

- (A) *Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).*
- (B) *The Company may, notwithstanding Article 5(A) above, authorize the Directors not to offer new shares to members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such members on such terms and conditions as the Company may direct.*

APPENDIX IV – EXTRACTS OF ARTICLES

6. *The Company may exercise the power of paying commissions in respect of subscription for shares which is conferred by the Act to the full extent thereby permitted, Provided Always that the amount or rate of the commissions paid or agreed to be paid and the number of shares to be subscribed for absolutely shall be disclosed in the manner required by the Act, in the relevant prospectus, statement, circular or notice as the case may be. Such commissions may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful subject to disclosure of the amount or rate thereof in the manner required by the Act in the relevant prospectus, statement, circular or notice as the case may be.*
7. *Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act.*
- 8.
- (A) *The rights attached to shares issued upon special conditions shall be clearly defined in the Memorandum of Association of the Company and these Articles and the rights attaching to shares of a class other than ordinary shares shall be expressed. In the event of preference shares being issued, the total nominal value of issued preference shares shall not at any time exceed the total nominal value of the issued ordinary shares and preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.*
- (B) *The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.*

VARIATION OF RIGHTS

- 9.
- (A) *Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Articles relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two or more persons holding at least one-third in nominal value of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for*

APPENDIX IV – EXTRACTS OF ARTICLES

such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters in nominal value of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

- (B) The provisions in Article 9(A) shall mutatis mutandis apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.*
- (C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.*

ALTERATION OF SHARE CAPITAL

- 10. The Company may from time to time by Ordinary Resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.*
- 11. The Company may by Ordinary Resolution:-*
 - (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;*
 - (b) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled;*
 - (c) subject to the provisions of the Statutes, sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by the Memorandum of Association of the Company; so however that the proportion of the amount paid to the amount unpaid (if any) on each sub-divided share is the same as on the original share from which it was derived; and the resolution whereby any share is sub-divided being otherwise permitted to determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred, qualified or other special rights, or be subject to any such restrictions, as the Company has then the authority to attach to unissued or new shares; and/or*
 - (d) subject to the provisions of the Statutes, convert or exchange any class of shares into or for any other class of shares.*
- 12.*
 - (A) The Company may reduce its share capital or any capital redemption reserve fund, share premium account or other undistributable reserve in any manner permitted, and with, and subject to, any incident authorized, and consent or confirmation required, by law.*
 - (B) The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Statutes and any other relevant rule, law, regulation or guidelines enacted, promulgated or issued by any relevant competent authority (including the Designated Stock Exchange (if applicable)) from time to time (hereafter, the "**Relevant Laws**"), on such terms and subject to such conditions as the Company may in general meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall be dealt with in accordance with the Relevant Laws.*

APPENDIX IV – EXTRACTS OF ARTICLES

CALLS ON SHARES

18. *The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or, when permitted, by way of premium) but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed and may be made payable by instalments.*
19. *Each member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.*
20. *If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or in part.*
21. *Any sum (whether on account of the nominal value of the share or by way of premium) which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.*
22. *The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.*
23. *The Directors may if they think fit receive from any member willing to advance the same all or any part of the moneys (whether on account of the nominal value of the shares or by way of premium) uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in profits.*

FORFEITURE AND LIEN

24. *If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.*
25. *The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be made forfeit.*

APPENDIX IV – EXTRACTS OF ARTICLES

26. *If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be made forfeit by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeit share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be made forfeit hereunder.*
27. *A share so made forfeit or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorize some person to transfer a share so made forfeit or surrendered to any such other person as aforesaid.*
28. *A member whose shares have been made forfeit or surrendered shall cease to be a member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.*
29. *The Company shall have a first and paramount lien on every share (not being a fully paid share) and dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article 29.*
30. *The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.*
31. *The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorize some person to transfer the shares sold to the purchaser.*
32. *A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly made forfeit or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, the Depository Register) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share, or where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so*

APPENDIX IV – EXTRACTS OF ARTICLES

sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

TRANSFER OF SHARES

33. *All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated Stock Exchange. An instrument of transfer shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided that CDP shall not be required to sign, as transferee, any instrument of transfer relating to any transfer of shares to it during such period as the Directors may think fit. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.*
34. *Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to the Designated Stock Exchange, stating the period and purpose or purposes for which such closure is made.*
- 35.
- (A) *There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.*
- (B) *The Directors may decline to register any instrument of transfer unless:-*
- (a) *such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;*
- (b) *the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and*
- (c) *the instrument of transfer is in respect of only one class of shares.*
36. *All instruments of transfer which are registered may be retained by the Company.*
37. *The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which*

APPENDIX IV – EXTRACTS OF ARTICLES

have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:-

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;*
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and*
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.*

TRANSMISSION OF SHARES

38.

- (A) In case of the death of a member whose name is registered in the Register of Members, the survivors or survivor, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.*
- (B) In the case of the death of a member who is a Depositor, the survivors or survivor, where the deceased is a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder and where such executors or administrators are entered into the Depository Register in respect of any shares to the deceased member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.*
- (C) Nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.*

39. *Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, elect either to be registered himself as holder of the share or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer executed by such member.*

40. *Save as otherwise provided by or in accordance with these Articles, a person becoming entitled to a share in consequence of the death or bankruptcy of a member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be*

APPENDIX IV – EXTRACTS OF ARTICLES

entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in respect of the share.

41. *There shall be paid to the Company in respect of the registration of any probate or letters of administration or certificate of death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require.*

STOCK

44. *The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination.*
45. *The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units (not being greater than the nominal amount of the shares from which the stock arose) as the Directors may from time to time determine.*
46. *The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.*

(ii) Rights of Shareholders in respect of Voting

PROCEEDINGS AT GENERAL MEETINGS

53. *The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.*
54. *business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two members present in person or by proxy.*
55. *If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint.*

APPENDIX IV – EXTRACTS OF ARTICLES

56. *The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.*
57. *Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.*
58. *If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.*
59. *At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:-*
- (a) the chairman of the meeting; or*
 - (b) not less than two members present in person or by proxy and entitled to vote; or*
 - (c) any member present in person or by proxy, or where such a member has appointed two proxies any one of such proxies, or any number or combination of such members or proxies, holding or representing as the case may be not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or*
 - (d) any member present in person or by proxy, or where such a member has appointed two proxies any one of such proxies, or any number or combination of such members or proxies, holding or representing as the case may be shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all the shares conferring that right,*
- Provided Always that no poll shall be demanded on the choice of the chairman of the meeting or on a question of adjournment. A demand for a poll may be withdrawn only with the approval of the meeting.*
60. *Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.*
61. *In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.*

APPENDIX IV – EXTRACTS OF ARTICLES

62. *A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman of the meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.*

VOTES OF MEMBERS

63. *Subject to any special rights or restrictions as to voting attached by or in accordance with these Articles to any class of shares, on a show of hands every member who is present in person or by proxy shall have one vote, the chairman of the meeting to determine which proxy shall be entitled to vote where a member is represented by two proxies, and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. A member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a member, or attend, vote or act at any meeting of the Company.*
64. *In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding.*
65. *Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by membership in relation to meetings of the Company.*
66. *No member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum payable by him to the Company in respect of such shares remains unpaid.*
67. *No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.*
68. *On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.*
- 69.
- (A) *A member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting, Provided that if a member shall nominate two proxies then the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.*
- (B) *A proxy need not be a member of the Company.*

APPENDIX IV – EXTRACTS OF ARTICLES

70.

(A) *An instrument appointing a proxy for any member shall be in writing in any usual or common form or in any other form which the Directors may approve and:-*

(a) *in the case of an individual member, shall be signed by the member or his attorney duly authorised in writing; and*

(b) *in the case of a member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney duly authorised in writing or a duly authorized officer of the corporation.*

(B) *The signatures on an instrument of proxy need not be witnessed.*

Where an instrument appointing a proxy is signed on behalf of a member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument of proxy may be treated as invalid.

71. *An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.*

72. *An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to speak at the meeting.*

73. *A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.*

73A. *Subject to these Articles and the Statutes, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.*

(iii) Rights in respect of Dividends

RESERVES

122. *The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and*

APPENDIX IV – EXTRACTS OF ARTICLES

may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.

DIVIDENDS

123. *The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.*
124. *If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.*
125. *Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article, no amount paid on a share in advance of calls shall be treated as paid on the share.*
126. *No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes or, pursuant to Section 69 of the Act and in the form of stock dividends, out of the share premium account. Any dividend unclaimed after six (6) years from the date of declaration shall be made forfeit and revert to the Company.*
127. *No dividend or other monies payable on or in respect of a share shall bear interest as against the Company.*
- 128.
- (A) *The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.*
- (B) *The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.*
129. *The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.*
130. *The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.*

APPENDIX IV – EXTRACTS OF ARTICLES

131. *Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.*
132. *If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.*
133. *Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.*

CAPITALIZATION OF PROFITS AND RESERVES

134. *The Directors may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Article 4(A)), capitalize any sum standing to the credit of any of the Company's reserve accounts as representing profits available for distribution under the provisions of the Statutes or, pursuant to Sections 69 or 70 of the Act, the Company's share premium account or capital redemption reserve, by appropriating such sum to the persons registered as the holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on the date of the resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares or (subject to any special rights previously conferred on any shares or class of shares for the time being issued) unissued shares of any other class not being redeemable shares, for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid. The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalization, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorize any person to enter on behalf of all the members interested into an agreement with the Company providing for any such capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.*

APPENDIX V – STATEMENT OF PROSPECTS

The following statement of prospects was made in the 2Q 2015 Results Announcement⁽¹⁾ (“**Statement of Prospects**”):

2Q 2015 Results Announcement:

Paragraph 9:

*“As disclosed in the Company's Quarterly Financial Results announcement dated 29 April 2015 (the “**29 April 2015 Announcement**”), the Group expected FY2015 to be a profitable year, and the Group's performance for Q2 2015 is in line with the statement set out in Paragraph 10 of the 29 April 2015 Announcement.*

Paragraph 10:

“Second half of the financial year remains challenging for the Group due to expected slowdown in the economy of China and stiffer competition from other major global suppliers. Barring any unforeseen circumstances, the Group is expected to remain profitable for the financial year ending 31 December 2015.”

Note:

- (1) The Statement of Prospects should be read in conjunction with Paragraph 10 of the Full Yearly Results Announcement dated 27 February 2015 and Paragraph 9 and 10 of the 1Q 2015 Results Announcement dated 29 April 2015.

The Statement of Prospects was not made in connection with the Offer.

The Directors have not issued a profit forecast for the Group for FY2015 in connection with the Offer. Accordingly, the Statement of Prospects should not be regarded as a forecast of the Group for FY2015.

The Statement of Prospects, for which the Directors are solely responsible, was arrived at on the bases consistent with the accounting policies normally adopted by the Group and was made on the following assumptions:

- (a) There will be no adverse change in the existing political, regulatory, legal, or economic conditions affecting the activities of the Group, the industry and the countries in which the Group operates.
- (b) There will be no material change in the principal activities, management and organisation structure of the Group.
- (c) There will be no material change in the relationships the Group has with major suppliers, customers and financial institutions which may affect the Group's financial performance.
- (d) There will be no material change in the competitive environment in which the Group operates.
- (e) The major cost components of the Group comprise material costs, labour costs, fuel costs and related overheads. It is assumed that there will be no material change in the cost structure of the Group and the prevailing market trends which may materially affect the cost structure of the Group.
- (f) There will be no material change in the pricing model of the products to be sold by the Group.
- (g) There will be no material change in the costs of suppliers, labour costs and other costs from those currently prevailing.
- (h) There will be no material disruption arising from any delays from any suppliers.

APPENDIX V – STATEMENT OF PROSPECTS

- (i) There will be no material change to the fair value of the Group's derivative financial instruments and trade receivables.
- (j) There will be no material effects arising from any disputes or litigation, or any material financial penalties incurred by the Group arising from any investigations undertaken by any regulatory authorities.
- (k) There will be no material changes in the accounting policies of the Group.
- (l) There will be no material change in international exchange rates.
- (m) There will be no material changes in interest rates.
- (n) There will be no material impairment to the carrying value of the Group's assets.
- (o) There will be no material change in the bases or rates of taxation from those prevailing and which may affect the Group's financial performance or condition.
- (p) There will be no material change in the key management personnel who may impact the Group's business, operations and future viability.
- (q) There will be no material change to the existing employment benefits and incentive scheme of the Group.
- (r) There will be no exceptional circumstances that require material provisions to be made by the Group in respect of any contingent liability or arbitration threatened or otherwise, abnormal bad debts or unexpected termination of contracts.
- (s) There will be no material disposals of any assets by the Group.
- (t) There will be no material changes in inflation rates.
- (u) There will be no adverse change in the level of production from the Group's existing production lines which will affect the current level of production.

The Directors wish to inform Shareholders that the underlying bases and assumptions on which the Statement of Prospects were based were arrived at in light of information available to the Directors as at 13 August 2015, being the date of the 2Q 2015 Results Announcement. As the Statement of Prospects was made prior to the Offer Announcement Date, such information does not include the Offeror's intentions with respect to the Group. Accordingly, the Directors would like to highlight that there may or may not be changes to the underlying bases and assumptions on which the Statement of Prospects was based, in the event that the Offeror carries out its intentions with respect to the Group.

APPENDIX VI – LETTER FROM DELOITTE & TOUCHE LLP IN RELATION TO THE STATEMENT OF PROSPECTS



Deloitte & Touche LLP
Unique Entity No. T08LL0721A
6 Shenton Way, ONE Downtown 2
#33-00
Singapore 068809
Tel: +65 6224 8288
Fax: +65 6538 6166
www.deloitte.com/singapore

The Board of Directors
Lizhong Wheel Group Ltd.
80 Raffles Place
#32-01, UOB Plaza 1
Singapore 048624

Dear Sirs,

LETTER FROM AUDITORS ON STATEMENT OF PROSPECTS

We have provided this letter solely to the Directors of Lizhong Wheel Group Ltd. (the "Company") for inclusion in the Circular dated 18 September 2015 (the "Circular") to be issued to the shareholders of the Company in connection with the voluntary unconditional cash offer by DBS Bank Limited, for and on behalf of Berkley International Limited (the "Offeror"), to acquire for all the issued ordinary shares in the capital of the Company, other than those shares already owned, controlled or agreed to be acquired by the Offeror and his concert parties.

As mentioned in Appendix V to the Circular, the Directors of the Company have previously included in its announcement of the unaudited financial results of the Company and its subsidiaries (the "Group") for the second quarter and the six month period ended 30 June 2015 the following statements ("Statement of Prospects"):

- i) *"As disclosed in the Company's Quarterly Financial Results announcement dated 29 April 2015 (the 29 April 2015 Announcement), the Group expected FY2015 to be a profitable year, and the Group's performance for Q2 2015 is in line with the statement set out in Paragraph 10 of the 29 April 2015 Announcement."*; and
- ii) *"Second half of the financial year remains challenging for the Group due to expected slowdown in the economy of China and stiffer competition from other major global suppliers. Barring any unforeseen circumstances, the Group is expected to remain profitable for the financial year ending 31 December 2015."*

The Directors of the Company are solely responsible for the Statement of Prospects including the assumptions as set out in Appendix V to the Circular.

We have been requested by the Company to report on the Statement of Prospects in accordance with Rule 25 of the Singapore Code on Take-overs and Mergers issued by Monetary Authority of Singapore ("Take-over Code"). We conducted our examination in accordance with the Singapore Standard On Assurance Engagements 3400 - *The examination of Prospective Financial Information* in so far as the Statement of Prospects is properly prepared in accordance with the bases and assumptions determined by the Directors, as set out in Appendix V to the Circular, and is consistent with accounting policies of the Group. Our responsibility under Rule 25.3 of the Take-over Code is to examine and report, in so far as the accounting policies of the Group and calculations are concerned, that the Statement of Prospects has been properly prepared based on the assumptions made by the Directors.



APPENDIX VI – LETTER FROM DELOITTE & TOUCHE LLP IN RELATION TO THE STATEMENT OF PROSPECTS



Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Statement of Prospects. Further, in our opinion, the Statement of Prospects, in so far as the accounting policies of the Group and calculations are concerned, is properly prepared on the basis and assumptions set out in Appendix V to the Circular, and in all material respects, is consistent with the accounting policies normally adopted by the Group.

Actual results may be different from the Statement of Prospects since anticipated events frequently do not occur as expected and the variation may be material.

Our work in connection with the Statement of Prospects has been undertaken solely for the purpose of reporting to the Directors under the Take-over Code for the purpose of meeting regulatory requirements for the Circular, and is not intended to be used or relied on for any other purposes.

Yours faithfully


Public Accountants and
Chartered Accountants

18 September 2015



APPENDIX VII – LETTER FROM THE IFA IN RELATION TO THE STATEMENT OF PROSPECTS



18 September 2015

Lizhong Wheel Group Ltd.
80 Raffles Place #32-01
UOB Plaza 1
Singapore 048624

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFER BY DBS BANK LTD ("DBS BANK"), FOR AND ON BEHALF OF BERKLEY INTERNATIONAL LIMITED ("OFFEROR"), FOR THE OFFER SHARES OF LIZHONG WHEEL GROUP LTD. ("COMPANY")

This letter is prepared for inclusion in the circular to Shareholders dated 18 September 2015 (the "**Circular**") issued by the Company to its shareholders in relation to the voluntary conditional cash offer ("**Offer**") by DBS Bank Ltd., for and on behalf of the Offeror, for all the issued and paid-up ordinary shares in the capital of the Company ("**Shares**"), other than those Shares already owned, controlled or agreed to be acquired by the Offeror and his concert parties ("**Offer Shares**") in accordance with Section 139 of the Securities and Future Act, Chapter 289 of Singapore, and Rule 15 of the Singapore Code on Take-overs and Mergers ("**Code**"). Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meanings as defined in the Circular.

The statement of prospects below was issued by the Company on 13 August 2015 in its announcement of unaudited financial results for the second quarter and the six-month period ended 30 June 2015 ("**HY2015 Results Announcement**").

*"As disclosed in the Company's Quarterly Financial Results announcement dated 29 April 2015 (the "**29 April 2015 Announcement**"), the Group expected FY2015 to be a profitable year, and the Group's performance for Q2 2015 is in line with the statement set out in Paragraph 10 of the 29 April 2015 Announcement.*

Second half of the financial year remains challenging for the Group due to expected slowdown in the economy of China and stiffer competition from other major global suppliers.

Barring any unforeseen circumstances, the Group is expected to remain profitable for the financial year ending 31 December 2015."

(the "**Statement of Prospects**").

We have discussed the key bases and assumptions underlying the Statement of Prospects with the management of the Company as reproduced in Appendix V of the Circular. We have also considered the letter dated 18 September 2015 addressed to the Board by Deloitte & Touche LLP, the auditors of the Company, in relation to its review of the Statement of Prospects.

We have relied on the accuracy and completeness of all financial and other information discussed with us and assumed such accuracy and completeness for the purposes of providing this letter. We have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have not undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Company or its subsidiaries for the purpose of this letter. Save as provided in this letter, we do not express any other opinion on the Statement of Prospects.

Provenance Capital Pte. Ltd.

Co. Reg. No: 200309056E

96 Robinson Road, #13-01 SIF Building, Singapore 068899 | Tel : (65) 6227 1580/5810 | Fax: (65) 6224 6316

APPENDIX VII – LETTER FROM THE IFA IN RELATION TO THE STATEMENT OF PROSPECTS

Based on the above discussions with the management of the Company and having considered the letter dated 18 September 2015 from Deloitte & Touche LLP in relation to the Statement of Prospects, we are of the view that the Statement of Prospects (for which the Directors are solely responsible) had been issued by the Board after due and careful enquiry.

This letter is addressed to the Board for the sole purpose of complying with Rule 25 of The Singapore Code on Take-overs and Mergers, and we do not accept any responsibility to any other person (other than the Board) in respect of, arising from or in connection with this letter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.



Wong Bee Eng
Chief Executive Officer



Terence Lim
Director



资产评估报告书



保定大雁资产评估有限公司

Baoding Dayan Assets Evaluation Co.,Ltd.

Valuation Summary on Verifying Assets Value of Lizhong Wheel Group Limited

Baoding Dayan Assets Evaluation Co.,Ltd. (hereafter called as Valuer) accepted the evaluation issue entrusted by Lizhong Wheel Group Limited (Lizhong Wheel Group). Valuer verified and estimated the above mentioned assets according to relevant national evaluation rules and regulations upon objective, independent, fair and scientific principle.

The Valuer was established in 1989, the location is in Baoding. It is currently the largest valuation and audit company in Baoding. The Valuer has 20 CPA and 12 Certified Public Valuer.

The estimated details and results are as below:

1. The entrusting party, ownership party and other parties except the entrusting party:

The entrusting party is Lizhong Wheel Group, the client who will apply the report includes these who apply the national law and regulation except the entrusting party.

The entrusting party: Lizhong Wheel Group Limited

Address: 80 Raffles Place, #32-01, UOB Plaza, Singapore 048624

Shareowner: Public Company

Business type: company with limited liability

Business scope: Wheel Manufacturing

2. Evaluation object and scope

The estimated object is Lizhong Wheel Group based on the declaration sheet filled out by the entrusting party. The verifying scope is as below:

Land and house property in Baoding Lizhong Wheel,

Address: No.948, Qiyi East Road, Baoding, China

Land and house property in Tianjin;

Address: No.58 Guanghua Street, West Economic Zone, Binhai New District, Tianjin

Land and house property in Changsha;

Address: NanZhuyuan road Changsha Town, Changsha, Hunan

Land and house property in Baotou;

Address: Donghe District Aluminium Demonstration Park, Baotou, Inner Mongolia.

3. Purpose of Evaluation

For the purposes of inclusion within an offer circular pertaining to a voluntary conditional cash offer for shares in Lizhong Wheel Group Limited.

4. Evaluation and Consultation Date

The date of evaluation: 7 September, 2015.

The guiding theory of confirming the evaluation date aims to approaching economic action possibly, there is no significant effect for evaluation date, and it reflects more accurately the latest situation for the relevant assets.

5. Basis of Valuation

The evaluation type refers to the market value which means the estimated amount undertaken upon the normal and fair transaction completed by seller and buyer on mutual willing and without any force.

The evaluation report completed strictly according to relevant national law, regulation, the assets evaluation norm and the other common basis, pricing regulation and the other reference documents.

Business basis:

The business agreement between the entrusting party and Valuer.

Legal basis:

1. National Assets Evaluation Administration Rules regulated by State of Council.
2. Notification of Enhancing Supervising Opinion on Reforming National Assets Evaluation Administration Regulations Delivered from State of Council to Financial Hall which issued by National Office of State of Council with document No.(2001)102.
3. Performance Regulations on National Assets Evaluation Administration Rules issued by the former National Assets Administration Bureau with the document No.(1992).36.
4. Opinion on Operation Norm for Assets Evaluation issued by the former National Resources Office of National Assets Administration Bureau with the document No.(1992).36.(trial)
5. Several Issues regulation of National Assets Evaluation Management on document No.(2001)14 issued by the Ministry of Finance of P.R.C.

6. Enterprise National Assets Evaluation Administration Provisional Rules in year of 2005, No. 12 document issued by National Assets Supervising Committee of State of Council.

Norm and basis:

1. Assets Evaluation Norm-Foundation
2. Professional Ethics on Assets Evaluation –Foundation
3. Assets Evaluation Norm-evaluation report
4. Assets Evaluation Norm-evaluation procedure
5. Assets Evaluation Norm-business agreement
6. Assets Evaluation Norm-evaluation draft
7. Assets Evaluation Norm-real estate
8. Guiding Opinion on Legal Ownership Focused by Registered Evaluators
9. Guiding Opinion on Assets Value Type

6. Valuation Methodology

The valuation methodology is based on various methodologies, such as income, comparison and investment approaches.

7. Ownership Basis

The entrusting party and the ownership holder shall provide the relevant certificate document and the other legal document, which mainly includes, the business certificate, land certificate and the duplicated document etc.,

8. Pricing Basis

The evaluator chosen the following technical standard document and references:

1. The project budget and final settlement document provide by the entrusting party;
2. The other relevant document got from the evaluators;
3. The other relevant document got from the market by the evaluators;

9. Evaluation and consultation conclusion

1. Price of Land in Baoding: RMB [28,268,676]
Price of Real Estate in Baoding: RMB [31, 700,040]
2. Price of Land in Tianjin: RMB [94,991,214]
Price of Real Estate in Tianjin: RMB [152,627,742]

3. Price of Land in Changsha: RMB [13,295,740]

Price of Real Estate in Changsha: RMB [10,906,061]

4. Price of Land in Baotou: RMB [48,773,116]

Price of Real Estate in Baotou: RMB [26,268,792]

10. Special Issues Introduction

The following issues will possibly affect the evaluation result by the evaluators' professional competence already be found:

1. The evaluation analysis or the final report were formed upon strictly the independent, objective and fair principle.
2. During this evaluation, the entrusting party has not delivered the property ownership certificate for some of their properties, but, we are not the legal assets ownership verifying institute, our registered evaluators just estimated and issued their professional opinion on the assets value, but neither give out the advice on legal ownership confirmation, nor present any opinion beyond their career scope.
3. The report conclusion presents that the evaluated object was confirmed the fair current price based on the open market principle under the evaluation purpose, the possible endured mortgage and the guaranty may occur in the coming days, and the possible added price may arose by special transaction way have not considered.
4. It is the duty to estimate the value of the assets according to the relevant law and regulations and the norm. it is the client's duty to provide the real ,complete and legal information, The evaluation conclusion issued based on the carious information delivered by the entrusting party, so, we have no any liability for any error arose by these factors, neither bear any liabilities.
5. The evaluators shall not bear any liabilities if there is error information provided by the entrusting party and without any special illustrations, the evaluator possibly can now know the issues.
6. The report conclusion is the value reference for the entrusting party to verify the assets value, so, it shall not be taken as the price realizing basis. The client and the report user shall understand and use it in a proper way.
7. The legal gaining way and the legal protection are the precondition as for the value of the

estimated assets which within the estimation scope.

8. The conclusion hasn't consider the other issues which is beyond evaluation scope or not delivered by the entrusting party, neither found by the evaluators.
9. The significant cases after the issuing date of report. The relevant parties shall notice that significant issues which didn't consider or may occur during the period of date of evaluating through the report issuing.

The report users shall notice the above mentioned issues may effect the conclusion.

11. Report Application Limitation Introduction

1. The report is only used correctly or delivered to the relevant departments for verifying within the illustrated evaluation purpose by the entrusting party.
2. The report is only used by the appointed users, but those who regulated by the national law or regulation are excepted.
3. The validation period of the report is one year, that is from 9 September, 2015 through 8 September, 2016.

12. Report Issuing Date

Date of Valuation Report 9 September, 2015

Baoding Dayan Assets Evaluation Co.,Ltd.
9 September, 2015



	
<h1>营 业 执 照</h1>	
<p>(副 本)</p>	
<p>注册号 130605000047415</p>	
名 称	保定大雁资产评估有限公司
类 型	有限责任公司
住 所	保定市天鹅中路178号佳蓬楼
法定代表人	杨洪利
注 册 资 本	伍拾万元整
成 立 日 期	2008年06月12日
营 业 期 限	2008年06月12日 至 2028年06月11日
经 营 范 围	从事各类单项资产评估、企业整体资产评估以及市场所需的其他资产评估或者项目评估（经营范围中属于法律、行政法规规定须经批准的项目应当依法经过批准后方可经营）。
	<p>登 记 机 关</p>  <p>2015 年 2 月 3 日</p>

企业信用信息公示系统网址：www.hebbscztxyxx.gov.cn

中华人民共和国国家工商行政管理总局监制

		资产评估 资格证书 (副本)	
证书编号: 130800016		发证日期: 2008年6月5日	
批准机关: 河北省财政厅			
资产评估范围: 各类单项资产评估、企业整体资产评估以及市场所需的其他资产评估或者项目评估。			
机构名称	保定大雁资产评估有限公司	办公地址	保定市天鹅中路178号
首席合伙人 (法定代表人)	杨洪利	批准文号	冀财企〔2008〕54号

中华人民共和国财政部统一印制

Property Valuation Report

Ref No. HO-581-0592

Client : New Thai Wheel Manufacturing Co.,Ltd.
Property : Land with Building
Location : No. 7/318, Moo.6 Soi Amata City Industrail Estate (Thai-China Zone)
Sattahip- Chachoengsao (HW331) Road , Map Yang Phon
Sub-District, Pluak Daeng District, Rayong Province.

By

Siam Appraisal and Services Co., Ltd.

<i>Report of New Thai Wheel Manufacturing Co.,Ltd..and prepare as the standard of Valuer Association Of Thailand (VAT)</i>
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APPENDIX VIII – EXTRACT OF VALUATION REPORTS



บริษัท สยามแอฟเฟรเชียล แอนด์ เซอร์วิส จำกัด Siam Appraisal And Services Co.,Ltd.

At SA. 5710751

Date : September 4, 2015

Title : Property Valuation Report

To : Managing Director

New Thai Wheel Manufacturing Co.,Ltd.

According to Siam Appraisal and Service Co., Ltd. , is assigned from the client to value the property.

At the moment , our company get through the objectives by showing the standard , assumption and condition in the valuation. Then we conclude the valuation of property as the following:

Name of Client	New Thai Wheel Manufacturing Co.,Ltd.
Type of Property	Land with Building
Location	No. 7/318, Moo.6 Soi Amata City Industrail Estate (Thai-China Zone) Sattahip- Chachoengsao (HW.331) Road, Map Yang Phon Sub-District, Pluak Daeng District, Rayong Province.
Land Right Document	Title deed no.4633 total 1 plot with area 38-3-06 Rai (15,506 Sq.wah or 62,024 Sq.m.).
Building	18 Items Building's No.7/318 (The details are shown as Appendix A)
Building Owner	New Thai Wheel Manufacturing Co.,Ltd.
Land Owner	New Thai Wheel Manufacturing Co.,Ltd.
Obligation	The subject property is mortgaging with Bangkok Bang Public Company Limited.
Purpose of Valuation	For Public Purpose
Standard and Valuation Method	Cost Approach, taking into consideration comparison with similar land and property.
Date of Survey	September 2,2015 Date of Valuation September 3,2015
The reason for value is different from the former value	Market Land Prices are rising and increased amortizing for building state.
Market Value	290,015,270.-Baht. (Two hundred ninety million fifteen thousand two hundred and seventy baht only.)

Siam Appraisal and Services Co.,Ltd. and valuer assure that our company have not any conflicts of interest to such property. Then we work as the valuer with carefulness following to the standard and professional ethics.

Accordingly , please consider this report

Sincerely

MR. (MAST) CHIRAPORN KULANA

Valuation Report No. 5710751
Property : Land with building
By Siam Appraisal And Services Co., Ltd.
DING, 4 FLOOR, BACHADAPINSEK RD., HUAYHONG, BANGKOK 10320 TEL. 0-2643-9989 FAX. 0-2643-1996-7

-1-

1. Purpose of valuation

1.1 Assignment

Siam Appraisal and Services Co.,Ltd. is employed to assess the property from New Thai Wheel Manufacturing Co.,Ltd.. on September 1, 2015 (According to document SA. FKT. 581707 on September 1,2015)

1.2 Purpose

Cost Approach, taking into consideration comparison with similar land and property.

The person who concern with this report are :

1. New Thai Wheel Manufacturing Co.,Ltd.

APPENDIX VIII – EXTRACT OF VALUATION REPORTS



-29-

(Cont)

6.5 Summary Of Property Value

Siam Appraisal and Services Co., Ltd. considers information of subject property under the Standard, limitation and assumption according to this report. If there is no any particular limitations which the valuer cannot know, the valuer suggests value of the subject property as the following :

Land with building :

Land	Title deed No.4633 total 1 plot.	
	Total area is 38-3-06 Rai (15,506 Sq.wah. or 62,024 Sq.m.)	100,789,000.-
	@ 6,500.-Baht/ Sq.wah.	
Building	18 items (The details are shown as Appendix A)	189,226,270

Total Value of Land with Building (Rounded)

290,015,270

Fair Market Value Baht **290,015,270.-**

(Two hundred ninety million fifteen thousand two hundred and seventy baht only.)

Forced sale Value Baht **203,010,689.-**

Fire Insured Value Baht **189,226,270.-**

Date of valuation : September 3,2015

Siam Appraisal and Services Co.,Ltd. and Valuer assure that our company have not any conflicts of interest to such property. Then we work as the valuer with carefulness following to the standard and professional ethics.


(Mr. Udon Lipplang)

The Surveyor


(Mr.WORACHIT SURAKAMIT)WIT
Principal Valuer No.Sov. 44-1921
Key-Valuer